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Daily Report

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Cuba

NEWSWEEK Cited on Guantanamo Base Enlargement

FL1001221295 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 10 Jan 95

[From the "NTV" newscast]

[FBIS Translated Text] According to NEWSWEEK magazine, the U.S. Government is preparing the Guantanamo Naval Base for a prolonged stay by Cuban rafters confined on the base. In this week's edition, the magazine also reports that the existing facility is being enlarged to reaccommodate rafters currently in Panama. The rafters will be allowed to remain in Panama only until March, in accordance with the agreement between Washington and the Panamanian Government. The NEWSWEEK article goes on to say that while the Guantanamo camp is being enlarged, forced repatriation of Haitians will continue.

'Doing Radio' Comments on Panama Rafter Situation

FL1001183895 Havana Radio Rebelde Network in Spanish 1255 GMT 10 Jan 95

[From the "Doing Radio" program]

[FBIS Translated Text] This is the satellite center. The Cuban rafters' problem in Panama is being covered by a Spanish speaking television station. I can see images taken in a refugee camp in Panama where there are several thousand Cuban rafters—8,400 according to the reporter. This same reporter states that negotiations are underway between the United States and several Latin American countries with regard to the transfer of these rafters. These negotiations are taking place under strict diplomatic silence.

Remember that Panama had given 3 March as a deadline for the rafters to be transferred. This means that Panama will only allow the rafters to remain in the country until 3 March, however, I am listening to Oliver Garza, U.S. charge d'affaires in Panama, who says that diplomatic relations between the United States and Panama have not been damaged.

Russians Advocate Increasing Ties With Havana

FL1101025195 Havana Radio Rebelde Network in Spanish 0000 GMT 11 Jan 95

[From the "Exclusive" program]

[FBIS Translated Text] Russian Federal Government officials, deputies, and scholars on 10 January advocated the strengthening of economic and commercial ties between Moscow and Havana on the traditional basis of mutual benefit. Convened by the Foreign Relations Committee of the lower house, the parliamentary hearing addressed the current situation and the prospects of Russian-Cuban ties,, and agreed to endorse before the Parliamentary Council several proposals to initiate a new phase.

(Vladimir Urdelev), chief of the Central and South American Department, stressed the need to reestablish contact, which he described as strategic, with Cuba. He added that the basis of the exchange between Moscow and Havana is the sugar-for-fuel barter, which should be strengthened by a long-term protocol. In his opinion, signing a long-term protocol would guarantee the continuity of Cuban sugar production and stabilize the supply of raw material to the domestic refinery industry. (Urdelev) described the U.S. blockade of Cuba as counterproductive and stated that despite its efforts to isolate Cuba, the island's international prestige continues to increase, particularly in Latin America and the Third World.

Robaina Meets With Canadian Parliamentary Delegation

FL1101032095 Havana Radio Rebelde Network in Spanish 0000 GMT 11 Jan 95

[From the "Exclusive" program]

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina met on 10 January with a delegation of Canadian parliamentarians at the Ministry of Foreign Relations. The delegation is headed by (Jacques Evert), president of the Cuba-Canada Friendship Group. Robaina remarked on the relations between the two nations and Canada's role in Cuba's principal economic plans.

[Begin Robaina recording] Today, Cuba's main sectors for development are tourism, oil, and nickel, and these three sectors are related to Canada. I wish to affirm that this alone gives our relations special character. [end recording]

(Jacques Evert) stressed that it is a pleasure to visit Cuba.

[Begin (Evert) recording] We have been here only two days, but it seems much longer because we have learned so much about Cuba. It is truly incredible. Perhaps we will learn even more now. [end recording]

Cuban, Canadian Nongovernmental Organizations Begin Meeting

PA1001144195 Havana PRENSA LATINA in Spanish 2341 GMT 9 Jan 95

[FBIS Translated Text] Havana, 9 Jan (PL)—Cuban and Canadian nongovernmental organizations (ONG's) began a meeting in Havana today to coordinate the ways and means for channeling humanitarian and material aid to the Cuban people.

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Eighteen Canadian ONG representatives and 28 Cuban representatives attended the meeting, dubbed the Cuban-Canadian Interagency Project, which will last until 14 January.

Delegates from government agencies of the two nations are also participating as guests. They are from the Canadian Center for Aid for International Development and are officials from the foreign ministries of the two nations.

This meeting is the first between the Cuban and Canadian ONG's, which were established to foster mutual understanding and to exchange ideas on how to establish this cooperation.

The Canadian Government decided last year to renew official aid to Cuba, which was suspended toward the end of the 1970's, and decided to channel aid through the ONG's.

Among the visiting ONG members are representatives of the United Church of Canada, the Association of Canadian Community Universities, CARE-Canada, The University Overseas Service (CUSO), OXFAN-Canada, and the Jesuit Center for Faith and Human Development. The Martin Luther King Center of the Ebenezer de Mariano (Cuba) Baptist Church and the Felix Varela Center (Independent) are serving as liaisons in organizing the meeting.

This conference coincides with the visit to Cuba of a delegation of Canadian parliamentarians who are meeting with Cuban officials to strengthen bilateral relations and to find ways to increase cooperation in the various areas of economic activity.

Paraguayan Delegation Briefed on Foreign Investments

PA1101011695 Havana PRENSA LATINA in Spanish 1723 GMT 10 Jan 95

[By Javier Rodriguez]

[FBIS Translated Text] Havana, 10 Jan (PL)—A Paraguayan legislative delegation currently visiting Cuba met today with Ernesto Melendez, Cuban minister of foreign investments and economic planning, and Foreign Trade Minister Ricardo Cabrisas.

In their second day in Cuba, the deputies of the South American nation were met this morning by Melendez, who gave them ample information regarding the nature of the office he heads and the Cuban Government's policy regarding foreign investments.

The minister explained the Cuban Government's decision to join the world economy in light of the island's reality, and he confirmed that this is being done without relinquishing the social victories achieved by the success of the 1959 revolution.

He painted a broad picture of the current state of the flow of currency in Cuba and expectations regarding important areas such as tourism, communications, oil exploration, mining, and others.

The visitors were interested in local legislation regarding capital investments, the guarantees offered, and the manner in which Cuba is replacing its lost trade with the East European countries.

They also showed interest in the eventual signing of an agreement that will allow Cuban technical assistance to Paraguay in the sugar production industry—one of the areas of greatest interest to the delegation.

On behalf of the delegation, Ludmila Sanchez, vice president of the Industry, Trade, and Tourism Commission of the Chamber of Deputies, thanked the minister for the information he provided and described this as very useful in the review being conducted by the deputies prior to the exchange proposals they intend to make.

Later, the visitors went to the Foreign Trade Ministry where they were received by Minister Ricardo Cabrisas and other officials.

There they received ample information regarding the development of this sector—development that has come despite the pressures and the difficulties caused by the U.S. economic and trade blockade, which has been in force for more than 30 years.

The deputies are in Cuba in response to an invitation by the National Assembly of the People's Government and will remain in Cuba until Sunday.

Delegation Meets Minister Bolanos

FL1101032995 Havana Radio Rebelde Network in Spanish 0000 GMT 11 Jan 95

[From the "Exclusive" program]

[FBIS Translated Text] The Paraguayan parliamentary delegation headed by Neris Fidemon Gonzalez, vice president of the Paraguayan Parliament, met this afternoon with Vice Foreign Minister Jorge Bolanos at the Ministry of Foreign Relations. Bolanos, in his greeting, stressed the possibility of establishing new ties between Cuba and Paraguay.

[Begin Bolanos recording] Despite the fact that we never had the type of relations that reflect our affinity, or allowed us to express our affinity...[changes thought] Not even in the past was there a strong Paraguayan diplomatic presence in Cuba. On a few occasions, Paraguay was represented at the ambassadorial level, but more commonly it was at the charge d'affaires level. We had never had a strong Paraguayan diplomatic presence here, just as Cuba never had a strong diplomatic presence in Paraguay. We admire Paraguay's history. [end recording]

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Neris Fidemon and the deputies comprising the Paraguayan delegation expressed interest in establishing cooperation within various sectors, particularly in sugar byproducts.

[Begin Fidemon recording] It is our hope that we can establish and discuss having Cuban technicians for a specific period, as well as having Paraguayan technicians, particularly from my region, travel to Cuba to learn in situ about the sector in which you are so advanced—research on varieties of sugarcane, and sugar byproducts. [end recording]

Honduras May Open Interests Office in Havana

FL1101031295 Havana Radio Rebelde Network in Spanish 0000 GMT 11 Jan 95

[From the "Exclusive" program]

[FBIS Translated Text] The Honduran Foreign Ministry has announced that the Government of Honduras is studying the possibility of opening an interests section office in Havana. A Honduran Foreign Ministry spokesman pointed out that the Honduran Government does not have plans to reestablish diplomatic relations with Havana at this time.

Alarcon Greets Participants At Biomass Conference

FL1101122995 Havana Radio Rebelde Network in Spanish 1800 GMT 10 Jan 95

[FBIS Translated Text] Ricardo Alarcon de Quesada, president of the National Assembly of the People's Government, welcomed participants at the world conference on biomass, energy, development, and the environment, the first of its kind to be held on our continent. Our correspondent Eva Alvarez has more details:

[Begin Alvarez recording] Cuba has advanced on the matters that will be discussed at this conference. Alarcon highlighted that Cuba has reached a reforestation rate rarely achieved in any other country. It is estimated that in underdeveloped countries, 35 percent of the energy consumed comes from the use of biomass, which converts it into one of its main sources of energy, but frequently it is not rationally used because the possibilities of applying advanced technologies for the conversion of biomass are unknown or not used correctly. In contrast, in developed nations, only 3 percent of the energy comes from biomass which means that they continue using sources that contaminate the environment, affect the ozone layer, and contribute to the global warming. Cuba's possibilities in the field of biomass are significant.

Let us say that we receive 1 kilowatt hour of solar energy per square meter, expressed mainly in the [words indistinct] agricultural residuals from the sugarcane harvest and agro-industrial and domestic resources. For that reason, a program has been established for the development of this potential which allows for the development of technologies for the thermal-chemical and bio—chemical conversion of the biomass in energy. [end recording]

Machado Ventura Discusses 1995 Goals

FL1101030295 Havana Radio Rebelde Network in Spanish 1800 GMT 10 Jan 95

[From the "National Radio News"]

[FBIS Translated Text] Politburo member Jose Ramon Machado Ventura was told in Pinar del Rio Province that this year's centennial of the death of Jose Marti and the beginning of the Wars of Independence should encourage modest increases in production and efficiency levels. Machado Ventura discussed the principal goals for 1995 with the main cadres of the Communist Party of Cuba, the Union of Young Communists, and mass organizations in the province. Machado stressed that most importantly, efforts should seek to strengthen the economy and increase production of material goods.

[Begin recording] The efforts we are now going to undertake are the efforts conducted by our Mambises in the struggle that was begun in 1868, restarted in 1895, and inherited today from the hands of the Mambises, national heroes, martyrs, internationalists, and the clandestine fighters of the Rebel Army. All of that should be our inspiration during the observance of the centennial to act decisively in fulfilling our economic tasks. [end recording]

After congratulating the people of Pinar del Rio for the results achieved in 1994, Machado Ventura announced that the efficiency assemblies process would soon begin nationwide, and that this is an appropriate outlet for the Cuban working class to express their views on this year's economic goals. Among the main priorities of the people of Pinar del Rio in 1995 are tobacco, sugar, and food production, as well as other sectors that bring in hard currency, without losing sight of the measures being implemented to repair national finances, or the integral character of the political and ideological work.

Military Officers Tour Eastern Provinces

FL1001183595 Havana Radio Reloj Network in Spanish 1505 GMT 10 Jan 95

[FBIS Translated Text] Several Central Army commanding officers and officers are visiting the eastern provinces.

GRANMA newspaper reports on 10 January that the tour began in Las Tunas Province, will end in Guantanamo, and will involve a large number of Army, Navy, Antiaircraft Defense and Revolutionary Air Force troops to promote achieved solutions that have increased training and combat readiness.

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The Central Army commanding officers will also learn about the progress of the food program, and the use of resources to comply with the jobs and missions assigned to the eastern provinces.

The eastern provinces have been previously visited by the main officers of the Western Army, who recognized the scientific, industrial, agricultural, and military development of that area.

UNEAC's Abel Prieto Addresses CDR Seminar

FL1101031195 Havana Radio Rebelde Network in Spanish 0000 GMT 11 Jan 95

[From the "Exclusive" program]

[FBIS Translated Text] The Communist Party of Cuba's Nico Lopez School is currently holding a seminar for provincial and municipal coordinators of the Committees for the Defense of the Revolution [CDR's]. The special speaker this afternoon was Abel Prieto, a member of the Politburo and president of the National Union of Cuban Writers and Artists [UNEAC]. Prieto spoke about the UNEAC project of so-called municipal coordinators and artists in each region. Abel Prieto suggested that CDR leaders become more familiar with this novel initiative that enhances the cultural endeavors of our people. During his long-awaited speech, Prieto spoke about the climate of awareness and culture that should be central to our lives.

[Begin recording] Contino and I agreed. I see it as focusing on the community, on the needs of the community, on the institutions at hand, and on the talent available within the community. If we begin to bring artists from various locations, for example, if we organize a project in San Miguel del Padron and have to bring artists from Plaza Municipality, we have not solved anything. That is not the answer we seek although we can do things like that on occasion—we do not have to completely forego that option. I believe, however, that what is organic within this program is using the talent available in the community. [end recording]

CDR National Coordinator Juan Contino, as well as several popular artists who are UNEAC coordinators in various Havana municipalities, were also present.

Economic Policy Directed at Reducing Burden of Subsidies

PA1001173395 Hamburg DPA in Spanish 1300 GMT 9 Jan 95

[By Victorio M. Copa]

[FBIS Translated Text] Havana, 9 Jan (DPA)—Last September, Cuba established a stricter control system for its financial operations in an attempt to ensure a more efficient functioning of its economy, which is facing its worst crisis since 1959.

The objective is to corroborate the economic results of self-financed enterprises or budgeted units according to a document by the Finance and Prices Ministry entitled "General Guidelines for Analyzing Budget Behavior and Implementation."

In statements to the German Press Agency (DPA), specialist Xiomara Tosar has said the new financial procedures contemplate the analysis of indicators such as spending, earnings and losses, which are fundamental for assessing the effects of the measures implemented to cleanse the island's economy.

The recent implementation of price increases for nonessential products (rum and cigarettes), the elimination of free services, and a new tax system are aimed at reducing the fiscal deficit by 975.4 million pesos (equal to the U.S. dollar at the official exchange rate) this year.

Excess circulating currency totaled $12 billion by the end of May, while the budget imbalance at the close of the preceding year totaled $4.2 billion according to the most up-to-date figures from the Finance and Prices Ministry.

The increase in prices and taxes "is the most effective way to cleanse the nation's finances in the short term" according to Finance and Prices Minister Jose Luis Rodriguez.

Government sources have told DPA the official policy is directed at reducing the state burden of subsidies, including 100 million pesos that are now used for running subsidized installations.

The Cuban state spends $365 million annually in subsidizing basic products, the prices of which have remained unaltered. Nevertheless, the monthly cost to consumers of these products, the distribution of which is rationed, is 22-23 pesos per person.

This limited list of staple items, plus housing, electricity, and other utilities take up 40 percent of Cuba's minimum salary, which stands at 150 pesos.

Cigarettes have been selling based on the three preset price lists since 1 June. They sell for 2.00 pesos and 2.50 pesos a pack for rationed quotas, depending on whether they are dark or light tobacco. A controlled number of additional packs are priced at 5.00 pesos and 6.50 pesos. Unrestricted packs are sold for 10.00 pesos and 10.50 pesos each.

Beer, the price of which doubled recently, costs 1.2 pesos a bottle. Rum and other spirits run anywhere from 20-40 pesos a bottle. The price of rationed fuel for privately owned vehicles, of which there are 172,000 nationwide, quadrupled and now stands at 1.20 pesos a liter for premium, 1.00 peso for regular, and 0.75 peso for diesel oil.

Electricity is experiencing long and frequent blackouts, and it will be 20 percent more expensive in the residential areas as of 1 October. Nevertheless, patrons will not be allowed to surpass their quotas and will be fined if they do.

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Prices of certain modes of transportation, such as train fares, airline tickets, inter-urban bus fares, and sea travel to and from the Island of Youth, 125 km south of Havana,are included in the adjustments.

Currency exchange, according to official statements, remains as an option, and they have not discarded foreign currency market exchange.

It has ben learned that Carlos Solchaga, the former Spanish economy minister, has presented the Cuban Government with a four-point plan to reactivate the country's deteriorated economy.

The proposal provides for the elimination of government subsidies for government enterprises, the liberalization of the self-employment system, the deregulation of certain kind of private initiatives, greater flexibility for the investment laws, and authorization for cooperative farms to freely sell all of their surplus production on the market.

Editorial Lists Changes, Reasons

FL1001184195 Havana Radio Rebelde Network in Spanish 1800 GMT 9 Jan 95

[From the "National Radio News"]

[FBIS Translated Excerpt] The TRABAJADORES editorial enumerates some of the changes and reforms, and their reasons:

Foreign investment, because we lack capital to revive our economy and develop sectors with the greatest potential;

Different types of partnerships, because we need technology, administrative experience, and markets in a world governed by competition;

Legal circulation of dollars, because they already are circulating, and we lack foreign currency;

Allowing for individual and family enterprises to meet the demands of the population to open a new source of employment;

Farmers and industrial markets to encourage even greater production of food and consumer goods;

Certain measures relating to prices and rates because it is vital to the removal of excess circulation;

Reorganization of the taxation system, finances, and banking are required for our state to function under the current circumstances.

The editorial goes on to stress that none of these changes indicate that Cuba is returning to capitalism; that none of these changes will return Cuba to the past—factories, installations, hotels, and land are still under Cuban ownership. The editorial points out that what is occurring in Cuba is, in fact, an inevitable experience. A small, third world nation, with limited resources and heavy dependence on foreign markets is determined to demonstrate by example that it is capable of supporting a socialist revolution virtually single-handed, despite the economic blockade and austerity imposed by the Empire.

Roundup of Economic Developments

PA1001191295

[FBIS Editorial Report] The following is a compilation of reports on Cuban economic developments monitored through 10 January.

According to a 3 January, Mexico City-datelined report, the Monterrey-based Domis Internacional Group will invest $500 million in 1995 to modernize telephones in Cuba and to expand the island's national and international telephone network. A group official has said the improvements for this year include the establishment of direct communication with the United States at lower rates than those charged to establish communication through third countries. The source concluded the investment is part of a $1.4-billion project in the next five years to modernize Cuba's telephone system. (Havana PRENSA LATINA in Spanish 1840 GMT 3 Jan 95)

According to the latest figures learned in Havana, the exchange of products at farmers markets increased by 60,000 quintals last December over the preceding month. Farmers markets sold 410,000 quintals of various products last month, totaling 180 million pesos. This increase resulted in an increase in tax collections from vendors, from whom 14 million pesos were received. An additional 5 million pesos entered the state treasury for charges for stands and other services at the markets. In Havana alone, 126,000 quintals of products were sold, totaling 104 million pesos. Seventeen million pesos were collected from farmers market activities in the municipality of the Isle of Youth in 1994. (Havana Radio Havana Cuba in Spanish 0000 GMT 7 Jan 95)

Haiti

45th Legislature's Mandate Expires 9 Jan

FL1001222695 Port-au-Prince Signal FM Radio in French 1130 GMT 10 Jan 95

[Passages in italics broadcast in Creole]

[FBIS Translated Excerpt] The mandate of the 45th Legislature expired on 9 January. The presidents of the two chambers of the Haitian Parliament held informal consultations with members of the executive power to try to come to some agreement on this matter. Senate President Firmin Jean-Louis, who says he wants to respect the provisions of the 1987 Constitution, admits that an exceptional situation is developing at this time throughout the country. Let us listen to him.

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[Begin Jean-Louis recording in progress] ....*scrupulously respect the Constitution, the provisions of Articles 91, 92.1, and 92.2 on the one hand; but on the other hand, we are, nevertheless, aware of a quite unique situation in which a series of questions of national importance remain to be settled, including the matter of the budget [words indistinct], a series of economic laws, a relation of [words indistinct] with the international community. These are before the Parliament and require us to be realistic and think in terms of the state's continuity.* [passage omitted] [end recording]

Parliamentarians Comment on Legislative Mandate

FL1101010995 Port-au-Prince Radio Metropole in French 1700 GMT 10 Jan 95

[Passages in italics broadcast in Creole]

[FBIS Translated Excerpt] The budget of the Republic is due to be voted on today in Parliament. Meanwhile, consultations are being held between the executive and the legislative branches following expiration of the mandate of the Chamber of Deputies and of two thirds of the Senate. Edner Jean filed a report:

[Begin Jean recording] If one considers the provisions of the 1987 Constitution literally, then the mandate of the 45th Legislature is terminated as of the second Monday in January. The 46th Legislature, which is responsible for assuring the continuity of the legislative power, has not, however, yet been constituted. The Electoral Council, created especially for that purpose, has still not announced a date for the holding of elections. In the face of this exceptional situation, the legislators voted themselves an extension of the mandate, using simple mathematical logic: since the 45th Legislature was sworn in on 4 February 1991 for a four-year mandate, they may remain functional until 4 February 1995. If one is attracted to, or even tempted to accept this logic, which is not at all constitutional, the question then is what will happen to the Parliament after 4 February 1995:

[Unidentified legislator] *Logically, after 4 February, I think that the 45th Legislature will be defunct, including all the deputies and senators. There were so many obstacles during our entire mandate that even today we are still spinning, but we are to remain until 4 February, the date on which we were sworn in. After that, I do not believe there is anything that can be done.*

[Jean] Deputy Jean Philippe Kerne Charles of the National Congress of Democratic Movements furthermore called on the executive power to provide the electoral council with the means necessary for holding elections in a relatively short time. According to Duly Brutus, the big state powers should consult with one another at this point in the situation to find a real solution to this problem caused by the expiration of the deputies' mandate. [passage omitted]

Deputy Emmanuel Reyme calls for a political solution:

[Remey] No responsible person can accept a vacuum for the country. A vacuum is not acceptable. Nature abhors a vacuum and it must be avoided, therefore, to avoid this vacuum, it is necessary to make constitutional, legal, and even political decisions.

[Jean] The subject was debated In the Senate of the Republic. The senators are allegedly in favor of a negotiated approach to the question. Here are the comments of Senator Eudrice Raymond:

[Raymond] *Well, Listen! This is an idea that can be considered among the others. However, no one idea prevails. The state leaders should sit down and study the situation for the most plausible approach.*

[Jean] In any case, if no concrete solution is brought to this crisis of succession, the legislative power will pay the consequences and the executive will then have full power to govern the country by decree. [end recording]

Benoit Calls for Unity of Democratic Forces

FL1101014795 Port-au-Prince Radio Metropole in French 1700 GMT 10 Jan 95

[Passages in italics in Creole]

[FBIS Translated Text] The National Congress of Democratic Movements [CONACOM] Secretary General Victor Benoit calls for the unification of democratic forces within the framework of Haitian elections. Victor Benoit held consultations on this matter in the southeast region of the country among possible candidates from his party. Windel Theodore filed a report:

[Begin recording] [Theodore] CONACOM secretary general Professor Victor Benoit asks that all democratic forces join together as a bloc to participate in the elections to be held in the country. For the democratic unity to be real, negotiations must be held, stated Mr. Benoit in a meeting in Jacmel where he was introducing and consulting with all the candidates for the CASEC, including mayors, deputies, and senators. Mr. Benoit asserts that he has no problem with the formation of the Provisional Electoral Council [CEP] and will play the role of director so that many people will be elected under his party's banner, but that he will not personally be a candidate in the coming elections.

Regarding security, the CONACOM leader believes it is only those who supported the coup d'etat who claim there is no security so they can justify their nonparticipation in the coming elections, however, Mr. Benoit asks the country's president, the population, and the multinational forces to continue to make an effort to provide security in the country. According to Mr. Benoit, the president has a great role to play in that regard:

[Benoit] *Whether people are members of CONACOM or FNCD or Lavalas, this entire sector that suffered for three years, this sector that could not meet or speak out, we in CONACOM think these sectors should join together for*

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the unification of democratic forces. Those who speak of insecurity are those linked to the coup d'etat. They are hiding behind so-called insecurity to justify their nonparticipation in the elections.

[Theodore] *Regarding the question that President Aristide should remain in power for life, or finish his five-year mandate, as segments of the population are demanding, Victor Benoit says the following:*

[Benoit] *CONACOM is a social democratic party that believes in democratic turns. In other words, it believes in periodic elections so that, in compliance with the Constitution, every four or five years there are new candidates for the population to vote for or not to vote for. We believe in that, so here in CONACOM, we do not want to hear about this matter of president-for-life. It is out of the question for us. Regarding the three years that Aristide should spend, the principal person, Aristide himself, has not given his opinion on it. So long as President Aristide does not openly give his opinion on that matter, it is, for us, a moot point.*

[Theodore] *Let us recall that Professor Victor Benoit has been on a tour of the Southeast Department within the framework of the country's coming elections. In the country, he listened to and selected candidates to run under the CONACOM banner.* [end recording]

Party Warns Against Delay Tactics, Advocates Unity

FL1101002295 Port-au-Prince Radio Metropole in French 1700 GMT 10 Jan 95

[FBIS Translated Text] Among the political parties voicing their positions on the elections, the Movement for the Organization of the Country, led by Gesner (Comeau), warns about delay tactics. MOP wishes to remain faithful to its doctrinal options and to stick with the stream of national protest. The party asserts that it will go to the elections, but only with honest individuals, capable citizens, serious, credible, clean candidates. The party advocates partnership, common participation, but rejects in advance any doubtful political compromise. This is to spare the country the same mistakes and disappointments that created the conditions of the September 1991 coup d'etat.

MDN Announces Criteria for Participation in Elections

FL1001225295 Port-au-Prince Signal FM Radio in French 1130 GMT 10 Jan 95

[FBIS Translated Excerpt] The Mobilization for National Development [MDN] party is discussing elections. The party has announced its conditions for participation in the forthcoming electoral competition. During its first [as heard] congress held over the weekend, MDN said that the procedure used for the formation of the Provisional Electoral Council [CEP] completely deviates from legal and constitutional norms, and that such a CEP is even more unacceptable than the five that preceded it. Consequently, MDN demands a maximum guarantee for all candidates, especially those of the opposition who would like to participate in the upcoming elections. MDN further demands that an electoral law, voted into effect by Parliament, be set up and that violations of the Constitution and attacks on human rights be denounced and penalized. [passage omitted]

Chamber Finance Commission Completes Budget Assessment

FL1001221195 Port-au-Prince Signal FM Radio in French 1130 GMT 10 Jan 95

[FBIS Translated Excerpt] All's well that ends well. The Finance Commission of the Chamber of Deputies completed its examination of the national budget. Deputy Luc Dieudonne, president of the Commission, says he submitted the report to the Chamber of Deputies, which met on 9 January to ratify the budget. Dieudonne notes that the budget assessment was respected, as was the Ministry for Women's Conditions. [as heard] [passage omitted]

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Zedillo Asks Congress To Hold Special Sessions

PA1001214795 Mexico City XEW Television Network in Spanish 0430 GMT 10 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] On 9 January, President Ernesto Zedillo asked Congress to hold a special period of sessions to study four issues: 1) the Senate's nominations for the Supreme Court of Justice; 2) the move to implement legal reforms to improve railroad and satellite communications services; 3) the move to promote competitiveness in financial institutions; and 4) reform of the 1995 Revenues Law to adjust the maximum public debt ceiling, which was approved in December 1994, taking into account the current economic situation and the new exchange rate of the peso.

During this special period of sessions, President Zedillo will propose amendment of Article 28 of the Constitution to modernize railroads and satellite communication services.

Savings Protection Fund Creates Plan To Capitalize Banks

PA1001160195 Mexico City XEW Television Network in Spanish 0430 GMT 10 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] A program was approved in Mexico today to support the capitalization of banks.

The Bank of Mexico today announced that Mexican commercial banks in general did not sustain exchange rate losses due to the devaluation, according to a study. The bank stated losses were not significant in the cases in which the devaluation was raised, but it warned the devaluation could lead to an increase in the amount of unpaid debts, which would force banks to increase their preventive reserves.

The Bank of Mexico recognizes that certain banks could have been left without sufficient capital due to the devaluation. That is why the Bank Savings Protection Fund has devised a temporary program to capitalize banks in view of the current situation. The Bank of Mexico will grant credits in case banks cannot capitalize themselves through the market.

In addition to this program, banks and other debtors in foreign currency will indirectly receive $18 billion through the international community's Exchange Stabilization Fund.

The Bank of Mexico also announced today it will publicize the amount of its international reserves every month and not twice a year.

Banxico Announces Support System for Banks

PA1001222695 Mexico City EL FINANCIERO in Spanish 7 Jan 95 p 5

[Report by Georgina Howard]

[FBIS Translated Text] The Bank of Mexico [Banxico] yesterday announced a temporary support system for Mexican banks. The support system is designed to guarantee healthy capital levels and compensate for at lease some of the losses created by the exchange rate fluctuations and the increased overdue debt portfolio brought on by the peso's devaluation.

In a press release, the central bank explained that in light of the increase in its contingency reserve fund, the Savings Protection Banking Fund (Fobaproa) has established a plan to take on obligations from those banks whose capital bases must be increased and yet currently have no other source of funds from which to draw.

Debit obligations are deemed to be part of the banks' capital. Therefore, Banxico said, debit notes issued under this program may be converted into shares.

If necessary, Banxico will open a line of credit to allow Fobaproa to access enough funds to assume the aforementioned debt obligations. The central bank will compensate for these funds with various transactions to prevent the disbursements from affecting Banxico's net credit amount.

This temporary support plan will be in effect as long as banks are unable to capitalize within the regular market. Banxico also announced there will be sufficient foreign currency available on the exchange market to enable banks to meet their dollar obligations. Bank officials also told EL FINANCIERO that Banxico, as required, will offer private banks U.S. currency to meet Certificate of Deposit maturities, which exceed $8 billion. These funds will be released at an interest rate of between 14 percent and 20 percent, and only if required as a last resort.

In addition, Banxico will assist Fobaproa in aiding credit associations facing capitalization difficulties. In such cases, Banxico has proposed that Fobaproa provide the funds these associations require, while the associations place their shares in escrow as collateral.

Mexican banking leaders studied the proposal after meeting with officials from Banxico, the Finance Secretariat, and National Banking Commission. The meeting was designed to find viable solutions to the problems facing these credit institutions.

The representatives of the Mexican banking sector asked the government to "ensure" that legal reforms authorizing 100 percent foreign capital investments in the banking sector "do not make the Mexican financial system a foreign system." Representatives of the banking system at the meeting warned this could happen because many multinationals could work their way directly into troubled Mexican banks instead of paying the full expense of opening their own offices on Mexican territory.

During the talks between the government and the private banks it was stressed that "the IMF guarantees the

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solvency of the financial system." Nevertheless, a high-ranking Banxico official made it clear that we "should not expect miracles," considering the first quarter will be hard on all intermediary financial institutions.

The meeting also stressed the need to find urgent, viable, and pertinent solutions for those institutions that fund their operations in dollars and yet issue loans in pesos at great exchange losses, as well as those institutions that took out loans in dollars to purchase stocks, leading to reduced profits. Both types of institutions will soon require additional capital.

According to Banxico officials, another common problem for the credit associations has to do with capital loans in dollars. This increases the need to assess the resources of these institutions' that were hurt by the devaluation, high interest rates, and the increased overdue debt portfolio.

Authorities and bankers alike agreed that the main problems facing the Mexican banking system are basically capital, the overdue debt portfolio, exchange rate losses, CETES (treasury certificates) payments, and the need to become more efficient. It was also pointed out that new credit institutions that have not yet begun operations will continue to face capitalization dangers that result from inadequate measures to reduce market risks. Others will choose to postpone opening their doors, while still others, the bankers said, will decide to open foreign capital operations only.

The representatives of the private banking sector, Banxico officials, Treasury Ministry authorities, and members of the National Banking Commission will take their *"road show"* [previous two words published in English] to all the international markets to keep the lines of credit open and to safeguard the system.

Most of the credit institutions are working on their fiscal year reports as of 31 December 1994 and have been forced to modify their projections for 1995, because of the peso's devaluation and rising interest rates.

Bank Failures

Donald Gabbai, a Mexican banking system analyst for Standard and Poor's, warned that the Mexican credit institutions have become the final victims of the peso devaluation. He pointed out that only government intervention can save Mexican financial intermediaries from "collapse."

A bogged-down economy, high inflation, and growing interest rates, he said, portend a dismal outlook for a banking sector that is haunted by its debt. The advisory corporation's analysts believe very few banks will be able to survive if the government fails to rescue them or if foreign rivals buy them out at rock bottom prices.

The analysts said investor confidence is now "at an all-time low," but we know Mexico has a good support system and it will not allow its credit institutions to collapse, no matter how small those institutions may be.

Gabbai acknowledged that the problems facing Mexican banks surfaced last week, when cries of alarm went out concerning their soundness. The stock market and the peso fell abruptly, in view of the possibility that international creditors might decide to cancel their lines of credit with Mexican banks.

Fobaproa To Help Commercial Banks Raise Capital

PA1101055595 Mexico City REFORMA in Spanish 10 Jan 95 p 29-A

[Report by Mauricio Flores]

[FBIS Translated Text] The Savings Protection Banking Fund (Fobaproa) may lend between $700 million and $1 billion to commercial banks that are in need of fresh resources to raise their capital to the levels established by Banco de Mexico and to overcome the impact of the devaluation and the increase of interest rates.

Sources at the Mexican Association of Bankers [ABM] pointed out that according to estimates, the amount of money that will be required to support the banks is "manageable," because Fobaproa has a balance of approximately $6 billion and its growth capability is limited only by the contributions of its partner banks.

"Nevertheless, it will be necessary to await the results and balances of 1994 in order to correctly measure how much capital each institution will require. It is to be expeted that exchange rate losses will not be as large as initially expected and that every bank will not resort to the support plan; because of this, loans of $700 million to $1 billion will not affect Fobaproa's financial situation," the ABM sources said.

The support mechanism will channel loans from Banco de Mexico through Fobaproa to those institutions requiring resources to raise their capitals.

The Fund will issue long-term convertible bonds in the names of the requesting institutions, and these bonds will add up as capital.

Banco de Mexico announced yesterday that to prevent this increased capitalization from representing an expansion of credit, Banco de Mexico will conduct compensatory operations to sterilize the loans.

The ABM sources pointed out that the loans will be extended to the banks at market rates, which is why it is likely that banks will increase their capital through resources of their own rather than through Fobaproa.

"The interest rates that will be applied are market rates. In other words, they will not be cheap loans. That is why it is very likely that institutions will try to increase their capital through contributions from national and foreign partners instead of resorting to Fobaproa," they said.

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The AMB sources said that banks that voluntarily join the support program must present their financial statements and audited bookkeeping statements to Banco de Mexico authorities, with whom they will negotiate the amount of money they will require, as well as the issuance and expiration deadlines for the loans.

The purpose of implementing the program, they added, is to restore national and international investors' confidence in national banks and to help decrease the risk and cost of the loans.

Agriculture Secretary Expects More Medium-Term Investments

PA1001214995 Mexico City XEW Television Network in Spanish 0430 GMT 10 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] On 9 January, Agriculture Secretary Arturo Warman said that, despite the economic crisis, prospects for profits in the Mexican countryside are improving. This is why we are expecting more medium-term investments.

Education, Tourism Secretaries: No Tuition, Price Hikes

PA1001215295 Mexico City XEW Television Network in Spanish 0430 GMT 10 Jan 95

[From the "24 Hours" newscast]

[FBIS Translated Text] After meeting with President Ernesto Zedillo at the Los Pinos presidential residence, Public Education Secretary Fausto Alzati reported that no Mexican private school is authorized to increase tuition.

Meanwhile, Tourism Secretary Silvia Hernandez also said that the tourist sector has not been authorized to increase prices. She added that the Tourist Secretariat remains in contact with the Consumer Prosecutor's Office [Procuraduria del Consumidor] to prevent any noncompliance with the pact.

Zedillo Urges Unity To Overcome Crisis

PA1101051695 Mexico City Radio ACIR Network in Spanish 0000 GMT 11 Jan 95

[Report by Rosie Ahuatz from the "Evening News Panorama" newscast]

[FBIS Translated Text] I have to say that this report was prepared very early this morning, when the stock market had just opened.

This was a breakfast, and the legislators left at 1030. At that time, there was no news about Black Tuesday's close on the Mexican stock market.

What happened during the breakfast? President Zedillo asked for national unity to overcome the crisis.

During a meeting with senators and deputies who are members of the Permanent Commission of Congress—37 legislators in all—President Zedillo said there is no need to blame anyone for the current crisis, adding that the most important thing is to overcome the crisis. These difficult days cannot become an excuse to forget profound and strategic changes. The president said we can overcome the crisis in the short term, but it will be necessary for us to remain united, act in a concerted manner, and share responsibility in resolving the problem.

According to all accounts, the members of the Permanent Commission had a solemn breakfast at the presidential residence. During the breakfast, they were informed of some of the bills they will be receiving once the special session gets under way. They were told how the bills will be presented to promote foreign and domestic private investments in the national railroad, satellite telecommunications, and the financial sector, and how cuts in public expenditures will be made.

According to a government press release, the president told the legislators that the devaluation frees us from an overvaluation of the peso. He noted: We are not going to repeat mistaken experiences of past decades that plunged the country into financial crisis. President Ernesto Zedillo said he will not base his economic plans on authoritarian or frenzied actions. Here, he was referring to Chiapas. He said: We will display the utmost tolerance. There is only one path to a solution in Chiapas, he noted—namely, the path of negotiations.

Although the breakfast was a private affair, this did not prevent the opposition parties and their legislators from demanding a national dialogue for democracy. President Zedillo said: We are going to work for that dialogue. We have to make progress toward a definite political reform where elections can become a matter of debates, and once elections take place we should all be pleased. We do not want any more post-electoral conflicts in Mexico, he said.

In leaving Los Pinos Presidential Residence, the lawmakers outlined what happened from their point of view. Let us listen to Rosario Guerra, of the Institutional Revolutionary Party [PRI].

[Begin Guerra recording] I think this was one main issue: This is everybody's responsibility, not responsibility in the sense of who is to blame but, rather, responsibility in looking for solutions. Another overwhelming issue was the end of authoritarianism as one of the possible ways out of the economic crisis, as well as the establishment of substantial agreements to progress toward political, economic, and social reform. [end recording]

According to the official report, President Zedillo suggested that political reform should lead us to overcome distrust among Mexicans, especially distrust of the productive sector.

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The Party of the Democratic Revolution was represented by Senator Heberto Castillo and Jesus Ortega. They urged that partisan interests be put aside in order to deal with the interests of the nation. They also asked that the weight of the crisis not be placed on the working class, and they said that, because there is a salary freeze, there also should be a price freeze to prevent businessmen from gobbling up most of the pie.

Castillo also urged PRI legislators to stop being so submissive to the executive branch.

[Begin Castillo recording] I said there, right in front of the president, that the best friend you could have is the one who makes your errors known, not those who hide mistakes or praise them. I said this, and he insisted that he hopes that everyone will cooperate. He called for unity. [end recording]

Senator Gabriel Jimenez of the National Action Party also attended the meeting. He said the meeting was a frank rapprochement with the president. Jimenez said that when asked about prosecuting and punishing the people responsible for the crisis, the president simply called for national unity.

[Begin Jimenez recording] He urged and appealed to the political forces to understand that it is more important to find solutions to the problem than to look for someone to blame. Making a call on all political forces, he evidently did not try to impose any kind of conduct. Instead, he urged the political parties to work for the unity of Mexico, which all parties legitimately want to govern. [end recording]

PRD Senator Irma Serrano from Chiapas also attended the meeting. She brightened the event by wearing a lynx-skin dress. She modeled for photographers in front of the flag and in front of the presidential residence. Later, she complained about the meeting to reporters. She said they spoke at length about the economy and the need for many sacrifices. Although the president spoke frankly, she said, the best thing to do at this moment is to investigate the rich people.

She said: I wanted to ask him about this, but I was not able to. I wanted to ask him what happened to the resources of parastate institutions, as well as about what happened to the wealth we had been told existed in Mexico—wealth that would enable all of us to live like rich people. There is no such thing; I cannot see it, she said. Ms. Serrano said she thinks that if she had raised her voice to the president she would have been thrown out.

[Begin recording] [Serrano] Unfortunately, only those who were acknowledged could speak. And who was acknowledged? Those who speak in timid words, not those who speak courageously—no, only those who are afraid to stand up to the president.

[Reporter] Who spoke for your party?

[Serrano] A man, Heberto. He knows a lot about politics, but he is too cautious. [end recording]

Serrano also strongly criticized PRI Deputy Rosario Guerra without mentioning her by name. She described Guerra as a deputy and a senorita who needs to learn some refinement, because the way she acted was reproachable, jumping up to support the PRI when no one had attacked it.

PRD Senate Faction Supports Zedillo's Austerity Measures

PA1101014595 Mexico City Radio ACIR Network in Spanish 0000 GMT 11 Jan 95

[Report by Juan Carlos Escobedo from the "Evening News Panorama" newscast]

[FBIS Translated Text] The PRD [Party of the Democratic Revolution] faction in the Senate is supporting the administrative austerity measures announced by President Ernesto Zedillo as part of the economic adjustment prompted by the current crisis.

At a news conference, Nayarit Senator Ernesto Navarro, president of the Senate Credit Institutions Commission, argued that the national banks should also absorb some of the burden of the crisis by lowering interest rates on loans. Navarro said other adjustment measures can be adopted in the area of public spending, depending on how the economic crisis evolves over the next few months.

Also attending the news conference were Senators Felix Salgado Macedonio and Aldarico Hernandez Geronimo. On behalf of the PRD faction in the Senate, the legislators demanded that their party's National Directorate refuse to hold talks with the president of the republic until post-electoral problems are resolved in Veracruz, Chiapas, and Tabasco.

Aldarico Hernandez Geronimo, who is in charge of civil resistance in Tabasco, announced that the Government Secretariat has displayed signs of political willingness to end the conflict through negotiations. Hernadez added that Government Secretary Ernesto Moctezuma's willingness to hold a dialogue is a sign that a prompt political solution is being sought in Tabasco.

Hernandez announced that on Sunday in Villa Hermosa there will be a peaceful demonstration that is expected to bring together some 120,000 people who will demand new elections.

[Begin Hernandez recording] In Tabasco, we are still waiting for an agreement. We are doing what we said we would do: We are demanding the resignation of Madrazo [commissioner for peace and reconciliation in Chiapas]. [end recording]

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Politicians Urge More Rigorous Economic Measures

PA1101032295 Mexico City Radio ACIR Network in Spanish 0000 GMT 11 Jan 95

[Report by Victor Manuel Mejia from the "Evening News Panorama" newscast]

[FBIS Translated Text] Representatives from all political parties are urging the federal government to adopt more rigorous emergency measures.

The Institutional Revolutionary Party's Javier Garduno Perez, chairman of the Budget Commission in the Chamber of Deputies, has expressed concern over the instability of the Mexican stock market. He also urged investors to remain calm and to trust the fact that these difficult economic times will soon be overcome.

[Begin Garduno recording] The National Securities Commission must review the causes of the situation. Once the causes are known, it must propose measures to prevent slumps such as this one, which is extremely upsetting. Let us be patient. We know the situation will change. The market will ultimately rise and return to its average level of 2,500 to 2,800 points. [end recording]

As the Labor Party's Francisco Gonzalez Gomez sees it, the government's Emergency Economic Program has apparently failed after just a few days in operation, and therefore it is necessary to control interest rates, for example, to prevent speculators and dollar horders from producing additional volatility within the markets.

[Begin Gonzalez recording] There was an agreement to overcome the economic emergency, and it has failed. It is urgent that the government react and adopt more serious measures. This cannot be done while there is room for speculation. The country is now at the mercy of speculators, dollar horders, and foreign capital. [end recording]

Meanwhile, National Action Party member Gonzalo Altamirano warned the government must rule out any temptation to resort to measures such as the freezing of dollar accounts—measures that caused the country so much harm during past economic emergencies.

[Begin Altamirano recording] Any measure that might prompt confusion or hurt the treasury would be harmful. I think there must be measures that are capable of strengthening trust and promptly leading the country out of this crisis. [end recording]

Economic 'Expert' Assesses Possibility of Economic Collapse

PA1101044495 Mexico City Radio ACIR Network in Spanish 0000 GMT 11 Jan 95

[From the "Evening News Panorama" newscast]

[FBIS Translated Text] [Announcer] Gustavo Lomelin, an expert on economic, financial, and business issues, will now comment on the current situation. Gustavo, what we experienced today at the financial markets is significant. Could we call it an economic collapse?

[Lomelin] I believe we still cannot talk about an economic collapse; however, we can say that there is a financial crisis that has not peaked yet, because we do not know where the lack of confidence and the crisis of trust that are currently prevailing at the national and international financial communities will lead to. Local and foreign investors lack confidence at this moment. In fact, Mexico must show its solvency and pay all the bonds that will mature within the next few months in order to recover the confidence of foreign investors.

Mexico will definitely pay its Tesobonos [Treasury bonds], but approximately 80 percent of the Tesobonos that were to be sold on 10 January were not sold. Some U.S. experts on emerging markets pointed out that Mexico must refinance its liabilities by acquiring more long-term debts and by resorting to global markets or loans guaranteed by the IMF. The Mexican Government is indeed facing a liquidity crisis as it has a limited amount of reserves and a large amount of securities that will mature at the same time. This situation constitutes a financial and liquidity crisis that has yet to peak.

We still cannot talk about a collapse, but should we fail to regain trust, we could advance toward a collapse. In fact, as a point of reference, if you let me explain Pepe, the ADR's [American Depository Receipts] that are being traded in New York City dropped on 10 January by a large percentage. For instance, (Banpais) dropped by 20 percent, (Desk) by 18 percent, Dina [National Diesel] by 22 percent, La Moderna by 11 percent, Mexican Development Group by 10 percent, Serfin Group by 12 percent, Telmex [Mexican Telephone Company] by 5 percent, Televisa by 13 percent, and (Tribasa) by 14 percent. These drops basically resulted from the grading companies' downgrading Mexican securities, which had been upgraded in the last few years. Now, from 6 January until 10 January, a large number of Mexican companies quoted in New York City markets were downgraded; that is, their liquidities are being questioned. The basic reason for this situation is the crisis of trust currently prevailing in the country. I believe economic policies need to be more firm, because foreign investors still do not see strong signals showing that the credit standing of all bonds and debts that the country acquired abroad can be guaranteed. I believe this is the main issue that concerns us all. Let us hope this financial crisis will not worsen, because we could indeed collapse economically.

[Announcer] To this effect, deputies on 10 January demanded that the government take new emergency measures that will prevent this collapse that we do not want. Do you agree with them?

[Lomelin] Yes, Pepe. The issue here is that the advisability of what we were commenting on the morning of 9 January is perhaps what we will begin proposing or

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analyzing: a dual exchange market and an exchange control. This is but one of the main issues to be discussed, while trust is being restored.

Meanwhile, Pepe, wild capitalism is no longer tolerated, and thanks to the Adjustment Plan, we are indeed moving forward in that direction, because a general 10 percent to 30 percent increase in the prices of basic products was announced on the morning on 10 January at the pact meeting.

Meanwhile, the CTM [Confederation of Mexican Workers] is currently meeting and demanding a 56 percent wage increase; otherwise, it will declare a general strike. This situation means that there is pressure to expedite the wage-salary relation that could lead us into a vicious circle of inflation and devaluation. This vicious circle is exactly what we are trying to prevent. However, the lack of trust is triggering this financial uncertainty and liquidity crisis. Of course, we do need very consistent and strong economic policies, and we need to support true sectors of the economy: the industries and the countryside, which are currently being badly beaten. However, those consistent policies and those measures that will be taken will not yield results in the short term unless there is an exchange control.

On the other hand, this situation would signal a change of objectives in economic policies, thus prompting more lack of trust by certain circles of domestic and foreign capitals. Then, we are facing a very difficult situation, in which the Mexican Government will have to take a strong position in a prudent and intelligent fashion to overcome the critical situation the country is currently facing.

BMV President Questions Sell-Off; Tesobono Rates Increase

PA1101044995 Mexico City Radio ACIR Network in Spanish 0000 GMT 11 Jan 95

[Report by Alma Rosa Baez from the "Evening News Panorama" newscast]

[FBIS Translated Text] The Mexican Securities Exchange [BMV] has continued its downward trend. At today's BMV close, the price index settled at 1,972.33—a drop of 131.72 points, reflecting a 6.26 percent decline. Volume amounted to 172.8 million shares with transactions totaling 1.8097 billion new pesos.

Of the 88 stocks comprising the price index, there were just five gainers, 78 losers, and five were unchanged. Of these, Industrias Reactiva was the biggest loser on the day, declining 12.60 percent. Most active issues were Telmex [Mexican Telephone Company] at 43.9 million shares, Cifra at 13.6 million shares, and Grupo Financiero Bancomer at 13 million shares.

Meanwhile, other stocks that showed an increase on the day were Gegemex, which rose 5.19 percent, and Texel, which increased 5.13 percent, while Grupo Mexicano de Desarrollo fell 56.80 percent and (?Cidet) 21.88 percent.

Exactly one year ago, on 10 January, the BMV suffered its largest one day loss of 1994 when it declined 6.32 percent. Yesterday it suffered a drop of 6.65 percent.

Around 1300, with the main index off 11.30 percent, BMV President Manuel Robleda said it is worrisome to see shareholders selling off at the worst possible moment, as if Mexican companies were bankrupt, which, he said, is not the case.

[Begin Robleda recording] Today—once again—I insist history will certainly repeat itself. We have suffered devaluations in the past, and the market has not (?suffered) because it is really stable and buyers usually appear [words indistinct]. Things will work out for the best. What we do not know, however, is exactly when this will happen. [end recording]

Robleda announced that the BMV is prepared to arbitrate the exchange rate to give the dollar a higher value on the stock exchange.

At an impromptu news conference, Robleda said dollar transactions on the BMV could stabilize the foreign currency. He asked the government to release additional details of its economic measures, because the announcement of the Emergency Economic Program has been insufficient in fostering confidence among investors. We hope, Robleda said, that the situation will be resolved soon, because it is extremely bad and an immediate solution must be found.

At the BMV, the Bank of Mexico [Banxico] also announced tesobono [Treasury bond] rates, but, because of the uncertainty of the Mexican economy, tesobono sales fell short of the expected results. Although interest rates on 28-day bonds significantly increased by 13 points, which should have been considered a boon for those investors who purchase these instruments, there really were very few buyers. The 28-day bonds yielded 20 percent, with the aforementioned 13-point increase.

Nevertheless, Banxico traded a total of $200 million worth of tesobonos, of which only $16.230 billion [figures as heard] were allocated. Analysts expect that tomorrow's CETES [treasury certificates] rates—rates reflecting transactions carried out today but announced tomorrow—28-day issues will yield 50 percent. This is why investors were not very enthusiastic today about the tesobonos. They are saving their money and waiting to see how much the CETES will yield.

I must also note that the devaluation will have a negative effect on retail costs of products sold in Mexico. This assertion was made by that sector's president, German Fernandez del Busto, who said prices will increase between 25 and 30 percent because of the sector's imports. The price of the dollar, along with today's

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decline in the BMV—the second largest drop of 1995 following yesterday's 6.65 percent plunge—is still devastating the economic sector.

PRD, PAN Call Austerity Measures 'Insufficient'

PA1101040495 Mexico City Radio ACIR Network in Spanish 0000 GMT 11 Jan 95

[Report by Juan Carlos Escobedo from the "Evening News Panorama" newscast]

[FBIS Translated Text] The PRD [Party of the Democratic Revolution] and PAN [National Action Party] congressional factions say the administrative austerity measures implemented so far by President Zedillo are positive, but insufficient. They also demanded that he clarify whether the government is financing former President Carlos Salinas' bid to head the World Trade Organization [WTO].

At two separate news conferences, PRD Deputy Coordinator Guillermo Del Rio Ortegon and PAN Coordinator Gabriel Jimenez Remos spoke in favor of ratifying the measures and that they be extended to cover the legislative and judicial branches. The PRD senator said that, meanwhile, the PRD will ask the Senate to cancel the construction of a new Senate chamber—a building whose cornerstone was placed by former President Carlos Salinas de Gortari at the end of last year. They also said the installations at San Lazaro Legislative Palace should be used by the Senate, or that it should continue its work at Zicotencatu Mansion.

The PRD official also pointed out that congressional expenditures could also be curtailed—for example, plane tickets used by senators and their companions, along with cuts in other areas. He agreed with PAN Senator Gabriel Jimenez Remos that the expense accounts of legislators of both chambers, as well as those of the representative assembly, could be limited, if Congress so approves.

[Begin Del Rio Ortegon recording] I foresee no problems if we get to that stage. Nevertheless, this should not be imposed [words indistinct] by the executive branch. Instead, it should be a sovereign decision by the Mexican legislature. Eventually, this issue can be dealt with, whether at the next special session or at the sessions of the Permanent Commission. I do not believe the PAN, the party to which I belong, would have any problems with that. [end recording]

The president of one of the Senate's four commissions dealing with foreign relations, Gabriel Jimenez Remos, declared that the Mexican Government, through the Foreign Secretariat, should clarify whether it is financing President Carlos Salinas' bid to head the WTO, because, if this is true, it would run counter to the austerity plan decreed by President Ernesto Zedillo.

[Begin Gabriel Jimenez Remos recording] One would have to ask the Foreign Secretariat to hand over a report to the Senate or the Permanent Commission to determine whether the measures ordered by the executive apply to the disbursements being made for Mr. Carlos Salinas' campaign. [end recording]

Regarding this issue, PAN Senator Gabriel Jimenez Remos said the PAN will push for a constitutional reform to enable the Senate not only to analyze the country's foreign policy, but also to penalize this kind of policy.

PRD Asks Zedillo To Withdraw Support for Salinas Bid at WTO

PA1101020595 Mexico City Radio ACIR Network in Spanish 0000 GMT 11 Jan 95

[From the "Evening News Panorama" newscast]

[FBIS Translated Text] The Party of the Democratic Revolution [PRD] has asked President Ernesto Zedillo to withdraw his official support for Carlos Salinas de Gortari's candidacy at the World Trade Organization [WTO]. At the Senate, PRD and PAN [National Action Party] legislators demanded that the government explain whether it is supporting Salinas de Gortari's candidacy to head the WTO.

At Least 2 Killed in Occupation of Chiapas City Hall

PA1001203395 Mexico City NOTIMEX in Spanish 1929 GMT 10 Jan 95

[FBIS Translated Text] Chicomuselo, 10 Jan (NOTIMEX)—At least two people were killed and two others wounded following the occupation of this town's city hall by opponents of Mayor Humberto Flores Castellanos, local authorities have reported.

Justino Robledo, Chicomuselo Municipality secretary, has said clashes between supporters of the State Council of Indian and Peasant Organizations (CEOIC) and policemen over the control of the municipal government took place Tuesday morning.

The nonconformists are withholding Municipal Police Commander Hernan Sepulveda and eight members of that institution, Robledo has said.

The names of the two people who were killed during the clashes in that town in Chiapas, located approximately 1,350 km southeast of the capital near the border with Guatemala, were still unknown as of 1300 local (1900 GMT).

The local leader of the opposition Party of the Democratic Revolution (PRD), Cesar Espinoza, has said the incidents took place when the nonconformists came up to the mayor's office and were repelled with rifle fire by municipal policemen who were protecting the building.

Espinoza asked state authorities for their intervention to prevent the situation from worsening, while the bodies are still on the ground.

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Following the clashes, municipality residents began organizing themselves to evict the nonconformists, who continued to maintain control over the government building.

Groups opposing local authorities occupied the municipalities of Huehuetan, Cacahoatan, Tuzantan, Amatenango del Valle, Nicolas Ruiz, Ixtapa, and Chiapa de Corzo during the first 10 days of January.

The primary demand of the nonconformists is the dismissal of the local authorities to install municipal political councils.

Amado Avendano Linked to Violent Incidents in Chiapas

PA1101050095 Mexico City NOTIMEX in Spanish 2354 GMT 10 Jan 95

[FBIS Translated Text] Tuxtla Gutierrez, 10 Jan (NOTIMEX)—Judicial authorities of the southeastern Mexican state of Chiapas linked opposition leader Amado Avendano to an incident involving the takeover of a mayor's office that left two people dead and two wounded.

Chiapas Prosecutor Jorge Enrique Hernandez Aguilar linked Avendano, a former opposition candidate to the office of state governor, to the takeover of the Chicomuselo municipal palace, which today left two people dead and two others wounded.

Hernandez Aguilar stated that "what took place in Chicomuselo is part of a plan that will be repeated in La Trinitaria and Comalapa, as part of a strategy of conflict and violence planned by Amado Avendano."

Avendano, a former Party of the Democratic Revolution (PRD) candidate in Chiapas, heads a "Government of Transition in Rebellion" in the state, that refuses to acknowledge the authority of elected Governor Eduardo Robledo Rincon.

This Tuesday, municipal police and members of the State Council of Indian and Peasant Organizations (CEOIC) opposed to incumbent Mayor Humberto Flores Castellanos, clashed over control of the Chicomuselo mayor's office.

PRD and CEOIC members were able to take over the Chicomuselo mayors office and demanded the removal of municipal President Flores Castellano, an active member of the Institutional Revolutionary Party (PRI), and Avendano's recognition as Chiapas governor.

Municipal Police Commander Hernan Sepulveda and eight other agents were initially detained in the municipal office but were later liberated by police agents who were able to regain control of the building.

Cesar Espinosa, PRD leader in Chicomuselo, explained that the events unfolded when the protesters showed up at the mayor's office but were repelled at gunpoint by municipal police protecting the building.

The Mazapa mayors office in Madero, located 300 km east of Tuxtla Gutierrez, was also taken over this Tuesday by PRD and CEOIC members demanding the elimination of municipal authority and the integration of an indian people's council.

During the first 10 days of January, groups opposed to the local authorities have occupied municiapal offices in Huehuetan, Cacahoatan, Tuzantan, Amatenango del Valle, Nicolas Ruiz, Ixtapa, and Chiapa de Corzo.

The protesters' main demand is the recognition of the "Government of Transition in Rebellion" headed by Avendano, as well as the dismissal of local PRI authorities in order to establish municipal political councils.

Five Killed, Three Injured in Chicomoselo Clashes

PA1101033195 Madrid EFE in Spanish 0121 GMT 11 Jan 95

[FBIS Translated Text] Mexico City, 10 Jan (EFE)—Five peasants were killed and three injured as a result of two clashes between demonstrators and police during the takeover of the municipal offices in Chicomoselo, Chiapas State, in southeast Mexico, it was confirmed today by the state Attorney General's Office.

The first clash occurred early this morning when 400 peasants from non—official organizations entered the municipal offices and were attacked by police, resulting in the death of two demonstrators.

A second clash occurred hours later, when two police opened fire against the demonstrators; two peasants and one policeman were killed and three persons injured. This was reported by Chiapas Attorney General Jorge Enrique Hernandez Aguilar. The injured were admitted in hospitals at Comitan, the third most important city in Chiapas, close to the zone of conflict with the Zapatist National Liberation Army [EZLN]. The attorney general has blamed Amado Avendano for the situation. Avendano leads the Chiapas rebel government that opposes the government of Eduardo Robledo, a member of the ruling party who won the post following elections that have been questioned by the opposition and the EZLN.

According to witnesses, the peasants—all members of the State Council of Indian and Peasant Organizations (CEOIC) in Chiapas—are still inside the municipal offices of Chicomoselo, 900 km southeast of the Mexican capital.

Cesar Espinoza, leader of the Party of the Democratic Revolution [PRD] in Chicomoselo, said the demonstrators are demanding the dismissal of local Mayor Humberto Flores Castellanos. He said the police had been alerted to the peasants' actions and it "opened fire on the demonstrators."

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The takeover of Chicomoselo's municipal offices follows the takeover of municipal offices in Huehuetan, Cacahoatan, Tuzatan, Amatenango del Valle, Nicolas Ruiz, Ixtapa, and Chiapa de Corzo, all of which occurred in the past 10 days.

The CEOIC supports Amado Avendano's rebel government and intends to install independent authorities in towns that recognize Avendano as the legitimate governor of Chiapas, the poorest state in Mexico.

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Honduras

President Issues New Year's Message

PA1001142895 Tegucigalpa LA TRIBUNA in Spanish 7 Jan 94 p 3

["New Year's message" by Honduran President Carlos Roberto Reina; issued in Tegucigalpa on 6 January]

[FBIS Translated Text] Fellow countrymen: 1994 has ended for Honduras with the widespread hope that the New Year will be better. Our optimistic expectations for the nation's future are grounded in reality.

In 1994, the days of this administration—the first days of this presidential mandate—have been filled with work and great challenges.

So far, the imbalance between the resources at our disposal and the magnitude of our adversity has prevented us from stepping up the pace of mid-term measures as outlined in our plan of action, which is, no doubt, rooted in the desires of the Honduran people. Those things that are urgent and immediate have prevailed over what is needed for our mid-term and long-term plans. My administration first had to address problems that were inherited—problems that should have been resolved yesterday—but, as of today, we have not had a chance to resolve tomorrow's problems. Despite this difficult situation, we have moved forward. We have overcome a major historical crisis—the unprecedented bad situation in which we received the nation. Now the situation is beginning to look different and to show signs of hope.

Nevertheless, and it is appropriate to recall this, 1994 leaves a glimmer of hope in the far-reaching aspects of the nation's existence: the start of the demarcation of the border with our sister Republic of El Salvador; the establishment of educational and voluntary military service; the recovery of international credit following the recently adopted economic measures; the decrease in the fiscal deficit; the halt to the deterioration of our currency; the surmounting of the electric power crisis; the unanimous election of Honduras as a nonpermanent member of the UN Security Council; and, above all else, the establishment of an clean administration, a sworn enemy of corruption. These are some examples which can be given, even under the most adverse conditions, when the interests of the fatherland are placed before paltry personal interests.

At the end of 1994, we had the feeling we were finally seeing a light of hope at the end of the tunnel. The journey through this tunnel has not been easy. In our brief journey, we have found different kinds of obstacles, but we have never despaired and much less doubted the state's ability to face these challenges soundly, seriously, and firmly.

The end of one year and the beginning of another comprise a fitting opportunity to reflect on what the future has in store, rather than turn our eyes to the past. New Year's is a time for new resolutions regarding our conduct to restructure our lives. In this sense, I want to say to my people that the expectations which grew with the inauguration of my administration will be fulfilled, but they will need the constructive and permanent effort of all our fellow countrymen. I repeat—with full democratic conviction—my administration will not fail.

The fatherland is not simply those things the government wants or does. Above all else, it is the work of the entire community. It is the honest and productive work of Honduran society—women and men, the old and the young.

The beginning of the year must make us think that Honduras has moved beyond the political games of which we are so fond. It is a country that features shortages and limitations typical of underdevelopment. It is a country that has a haggard international image. It is a country that needs to be rescued from these things, because they concern all of us, and because all of us are and will continue to be responsible for the nation's backwardness or its progress. It is a country that has great people who are always willing to fight and who are moved by faith and hope. They are people who will never let themselves be confused by those never-ending remarks filled with negativity.

We have reasons to believe that 1995 will become the year that will mark the beginning of a rise in the people's quality of life. This is not an illusory vision, let alone an attempt to cover adverse realities, which are very difficult to defeat, with the banner of daydreams. There is nothing further from my intentions and my own convictions.

I have considered what I am saying after rigorously weighing what has been done and what many public institutions have projected so far. I want to emphasize this, because the changes we have undergone lately are clearly visible for Honduran society when viewing government matters. There are promising changes that prove society no longer is a passive subject of the course of events, but rather it is a watchful and alert protagonist, heedful of what we public employees do.

At the dawn of the New Year, 1995, we need to emphasize the firm decision to modernize the Honduran state, because we can successfully face the issues of broadening democracy only if we have a healthy state apparatus.

The improvement of the quality of our democracy is what constitutes the foundation of the new national project I am honored to oversee. We are trying to extend democratic coexistence to fields beyond the political arena, to open the doors of the decisionmaking process to local communities, and to guarantee adequate basic foods for lower-income sectors. In short, we are trying to form a new, fairer, more tolerant, more unified, and more developed society.

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Christmas celebrations once again brought to our minds the security of the people and their material wealth—a vital issue whose solution cannot be postponed. All kinds of violence not only proliferate in the streets, but also infiltrate our homes, stain them with blood, and bind society and individuals alike.

In addition to what we have accomplished up to now, we will do everything in our power to ensure that 1995 will be a year of increased security for people and property and that it will mark a drop in crime, through a proper security system for the people. We will begin 1995 by summoning the Ad-Hoc Commission to discuss the issue of security, to listen to its members' point of view, and thus to ensure the system is adopted by consensus.

In a similarly agreed upon manner, we will prepare the country as a free, sovereign, and independent nation to successfully face the great challenges posed by the globalization of the economy and increased production and productivity. The great achievements we have had after defining the new Central American agenda will now move to a new level with the eventual entry of our economy to a new type of globalized world economy. The choice we have ahead of us is not whether we should join the world market, but whether to join according to our own needs or the needs of foreign interests. It will be in this regard the interests of Honduras that will serve as the path to guide our steps toward such an elevated goal.

The Women's Government Office [Oficina Gubernamental de la Mujer] was founded by executive decree, considering the importance of Honduran women in social, political, and economic matters, and to fulfill commitments made with this basic sector of the population. This office is a political and technical means to coordinate at the highest level the actions and strategies in support of the full participation of women in the process of national development.

Another basic decision of my administration is to sign and put into practice in the next few days the much expected Code of Ethics for Government Officials, for which Honduran citizens have waited with true faith. It will be used as an essential instrument for the moral revolution we have promised to institute in our fatherland.

We shall form in a few more days, likewise, the National Security Council, which will noticeably serve to maintain, with all the necessary dynamics, the study of and communication on vital strategic problems to national life.

Fellow citizens, now that the daybreak of the new year is illuminating Honduran homes, it is my wish that peace reigns in all hearts, that the hope for a new future grow day by day, and that the faith in the high destiny of Honduras leads us to build a plural and free fatherland in solidarity.

Happy New Year to everyone.

Tegucigalpa, 6 January 1995.

Government Rules Out Delay in Trade Talks

PA1101011495 Mexico City NOTIMEX in Spanish 2353 GMT 9 Jan 95

[FBIS Translated Text] Tegucigalpa, 9 Jan (NOTIMEX)—The Honduran Government today ruled out the possibility of postponing negotiations it, along with Guatemala and El Salvador, is carrying out to produce a free trade agreement with Mexico. Honduran industrialists had asked for a postponement of the talks.

Rolando Valladares, director of the Trade Policy Department of the Economy and Commerce Ministry, told NOTIMEX, "The government will continue with the negotitions process." Valladares confirmed that this month there will be a ministerial meeting among the four nations to discuss the issue.

Yesterday, the Honduran National Association of Industrialists asked the government to postpone the negotiations on a free trade agreement because of the financial crisis Mexico is continuing.

Valladares noted: "The Northern Triangle group has a compromise plan and wants to continue with these negotiations." The so-called Northern Triangle comprises Honduras, El Salvador, and Guatemala—countries that have been negotiating a free trade agreement with Mexico since last year.

According to Honduran industrialists, the country is not prepared to engage in free trade with Mexico because of the economic crisis produced by the peso's devaluation in December.

Nevertheless, Valladares said the only way to modernize and increase the competitiveness of the Honduran economy is by signing free trade agreements, such as the one being negotiated with Mexico.

He added: "It is not through closed markets that the economy will be modernized, but rather by participating more in foreign trade and allowing competition to force enterprises to modernize."

Valladares said the industrialists can overcome their fear of being pushed to the sidelines by cheaper Mexican products by making domestic products of higher quality, by becoming more competitive, and by talking with Mexico about this.

He explained: "The negotiations are designed to determine which enterprises might be hurt and to grant them the time they need to make adjustments. It should not be said that we cannot draft part of the agreement because we are not ready. On the contrary, we have to draft part of the agreement to negotiate lower tariffs with long-term goals in mind."

Adolfo Facusse, president of the Honduran Private Enterprise Council, has pointed out the fears of the

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industrialists, but he also has said he believes it is necessary to sign the free trade agreement, particularly in light of the need to attract Mexican investments.

Nicaragua

President Chamorro Welcomes New Cabinet Members

PA1001232895 Managua Radio Nicaragua Network in Spanish 1520 GMT 10 Jan 95

[Speech by Nicaraguan President Violeta Barrios de Chamorro after swearing in the new cabinet at the Presidency in Managua—live]

[FBIS Translated Text] Nicaraguan people, cabinet members, and members of the domestic and foreign media: One year ago, I initiated the second phase of my presidential term. Today, 10 January 1995, when we look back, we can say that despite great difficulties, we have taken firm steps toward the consolidation of peace, democracy, reconciliation, and economic recovery in our country.

Our efforts have had positive results. They have allowed us to improve our economy and undertake actions to advance social development. Signs of this positive progress are: the increase in our exports, the maintenance of the stability of our currency, and the signing of agreements with the IMF and many other international institutions to obtain the necessary resources to further our country's development.

This effort, added to the cooperation received from the international community, has allowed us to have a 3.2 percent increase in our GNP and to maintain inflation at reduced levels.

We also have bolstered the de jure state and public security, thereby guaranteeing a climate of peace and stability in the country. The new political climate is reflected in the normal operations of the government branches, the disarmament of the last armed groups, and the issuance of laws such as the Military Code which ensures the Army's subordination to civilian power.

God will give us better opportunities in 1995 to continue improving the Nicaraguan people's living conditions. In this sense, we are going to continue supporting actions that further our economic growth and give more social benefits to the poorer and more vulnerable sectors of our society.

We will continue to work to resolve those property dispute cases we inherited, and we will strive to resolve this problem once and for all during my presidential term.

I am sure the government cabinet that will accompany me in 1995 will know how to work enthusiastically and with determination to reach the planned goals that will benefit all Nicaraguans.

The coordinated teamwork I want to see in my government cabinet this year is a reflection of the unity of objectives and goals that I also wish to see achieved by Nicaraguan society. The task of building a new Nicaragua is everyone's responsibility, because society comprises the core of these efforts. Based on this, I hope the Nicaraguan family will work united and for the common benefit of our fatherland in 1995.

Dear friends, to govern is never an easy task, and it is much less so during difficult and complex transition periods such as the one being faced by Nicaragua today. We, the officials of this government, have to be faithful to the mandate the people gave us on 25 February 1990. We have to fulfill our duties with a high degree of responsibility toward the Nicaraguan people. Our decisions must always be guided by a spirit of compromise and responsibility to serve all of the legitimate interests of our nation.

The exercise of public duties requires sacrifice and demands honesty, integrity, efficiency, and transparency. A good government is one that tries very hard to give good services to the people everyday and works efficiently and honestly, eliminating bureaucracy and all the vices that degrade our public mission.

Democracy requires efficient public officials who are attentive to the requests and demands of all citizens without taking into consideration their social or political conditions. The government program and its spirit of reconciliation and unity must be a permanent guide to make a reality the dream so many Nicaraguans have had throughout history: to forge a democratic fatherland where we all recognize each other as children of a single nation.

I would like to offer my sincere recognition to the Nicaraguans who, heeding my call, worked with me in their government posts last year and are now withdrawing from public service today. I also want to thank those who will continue on and those who are starting to work for this government. I am certain that all of our work will be guided by our faith in God and our desire to patriotically and unselfishly work for the legitimate interests of the people of Nicaragua.

Thank you everyone, and may God bless you. [applause]

Cabinet Members Announced

PA1001172995 Managua Radio Nicaragua Network in Spanish 1508 GMT 10 Jan 95

["Official announcement" read by Dr. Oriel Soto, legal affairs director of the Nicaraguan Presidency, in Managua—live relay]

[FBIS Translated Text] The following will make up the cabinet:

State ministries:

Presidency Ministry:

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Minister, Antonio Lacayo Oyanguren

Minister adviser of the Presidency, Julio Cardenas Robleto

Deputy presidency minister for state affairs, Tomas Delaney Solis

Deputy presidency minister for government affairs, Dayton Caldera Solorzano

Deputy presidency minister for civilian affairs, Boanerges Matus Lasso.

Government Ministry:

Minister, Sergio Narvaez Santos

Deputy minister for interior relations, Joaquin Lovo Tellez

Deputy Minister for citizens security affairs, Frank Cesar Reyes

Foreign Ministry:

Minister, Ernesto Leal Sanchez

Deputy minister, Jose Bernard Pallais Arana

Finance Ministry:

Minister, Emilio Pereira Alegria

Deputy minister, Mirna Somarriba de Bravo

Deputy minister, Rene Vallecillo Quiros

Deputy minister, Leopoldo Lopez Gomez

Social Action Ministry:

Minister, William Baez Sacasa

Deputy minister, Roberto Guzman Vasquez

Deputy minister, Brooklyn Rivera Bryan

Construction and Transportation Ministry:

Minister, Pablo Vigil Icaza

Deputy minister, Raul Leclair Lewis

Deputy minister, Edmundo Zuniga Garcia

Foreign Cooperation Ministry:

Minister, Erwin Kruger Maltez

Deputy minister, Sergio Mario Blandon Lanzas

Deputy minister, Gerardo Peralta Mayorga

Economy and Development Ministry:

Minister, Pablo Pereira Gallardo

Deputy minister, Eduardo Belli Pereira

Deputy minister, Enrique Brenes Icabalceta

Agricultural and Livestock Ministry:

Minister, (Dionisio Cuadra Kaut)

Deputy minister, Julio Rivera Valle

Deputy minister, (Sandy Maria Rivera Colt)

Health Ministry:

Minister, Martha Palacios Fernandez

Deputy minister, Federico Munoz Fernandez

Deputy minister, Rosario Hernandez de Lopez

Education Ministry:

Minister, Humberto Belli Pereira

Deputy minister, Jose Sandino Basteguieta

Deputy minister, Aurora Gurdian de Lacayo

Labor Ministry:

Minister, Francisco Rosales Arguello

Deputy Minister, Mario Garache Castrellon

Tourism Ministry:

Minister, Fernando Guzman Cuadra

Deputy Minister, Bayardo Garcia Nunez

Environment and Natural Resources Ministry:

Minister, Milton Caldera Cardenal

Deputy minister, Claudio Gutierrez Huete

Government Applies Migration Measures Against Costa Ricans

PA1001174395 Managua Radio Nicaragua Network in Spanish 1537 GMT 10 Jan 95

[Text of communique issued by the Nicaraguan Foreign Ministry in Managua; date not given—read by announcer]

[FBIS Translated Text] In light of the strong migration measures taken by the Costa Rican Government, which hamper the free movement of people between the two countries, the Nicaraguan Government has decided to apply reciprocal measures against Costa Rican citizens wishing to enter Nicaragua.

These measures are as follows: Costa Rican citizens will be required to declare $200 and to present a return ticket to migration officials upon entering Nicaragua. They are prohibited from carrying out activities in exchange for payment within our territory.

The Nicaraguan Foreign Ministry will send a note to the Costa Rican Foreign Ministry expressing its concern over the unilateral measures taken by the Costa Rican Government, given they are inconsistent with the political will of the Central American presidents and the regional integration process.

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This move has forced the Nicaraguan Government to act in a reciprocating manner, thus everything the Costa Rican Government does vis-a-vis Nicaragua, specifically, the Nicaraguan Government will respond with the same measure for Costa Rican citizens.

Panama

Officials Lack Information on Possible Clinton Visit

PA1101030395 Panama City Circuito RPC Television in Spanish 2300 GMT 10 Jan 95

[Report by Alexander Calderon from the "RPC Television News" newscast]

[FBIS Translated Text] Panamanian authorities claim they do not have any information on a possible visit by U.S. President Bill Clinton to Panama. According to Deputy Foreign Relations Minister Omar Jaen, the private sector has exclusively handled the possible visit U.S. President Clinton may make to Panama. The U.S. President could arrive in our country to attend a tribute the American Chamber of Commerce will hold to honor him and Panamanian President Ernesto Perez Balladares.

[Begin Jaen recording] I understand this invitation was extended by a private organization, not a government institution. This is an organization that is comprised Panamanian and U.S. businessmen. I repeat: This is an invitation extended by a private organization. I understand it is a personal invitation. The government does not have any information on this visit.

[Unidentified reporter] In other words, this visit will not be handled at an official level, correct?

[Jaen] We have not received reports from any private or public organization on this issue. Obviously, the visit of a president from a friendly country such as the United States would truly please all Panamanians and the government, neverthless, as I have already said, this is an issue that concerns only this private business organization. [end recording]

The tribute to U.S. President Clinton and Panamanian President Perez Balladares has been scheduled for February 1995, however, the participation of the U.S. President or some of his representatives has not yet been confirmed.

Minister Says Future of Cuban Rafters 'Uncertain'

PA1001203695 Panama City Telemetro Television Network in Spanish 1730 GMT 10 Jan 95

[From the "Telemetro Reports" newscast]

[FBIS Translated Text] The deadline for when the United States must withdraw more than 8,000 rafters lodged along the banks of the Panama Canal is approaching as days go by.

Deputy Foreign Minister Omar Jaen said this morning that the future of these people is still uncertain and that the United States, based on the agreement, is responsible for their situation:

[Begin Jaen recording] All these aspects are included in the agreement, as well as the U.S. Government's responsibility for the rafters' arrival and departure from our country.

[Unidentified reporter] U.S. Charge d'Affaires Oliver Garza has said talks have been held on Cubans who have relatives in Panama so that they can remain in Panama. What do you have to say about this matter?

[Jaen] We understand there are one or two rafters who are married to Panamanian citizens. The law is applied in this case. They have rights granted to foreigners who are married to Panamanian nationals. [end recording]

The deadline for the stay of the Cuban rafters in Panamanian territory expires on 3 March. Regarding their fate, the only known fact is that approximately 300 of them will be sent back to Cuba for instigating the 7 and 8 December disturbances.

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Argentina

Economy Minister Cavallo Briefs Entrepreneurs

PY1001173095 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1124 GMT 10 Jan 95

[FBIS Translated Text] Buenos Aires, 10 Jan (NA)—During an address at the National Bank headquarters, which drew an audience from among the most select businessmen in the country, Economy Minister Domingo Cavallo insisted on giving assurances that the Convertibility Plan is alive and kicking.

Cavallo's 9 January presentation of the economic guidelines and his estimates for 1995 was a clear move to ensure tranquillity in the domestic market, which was thrown into confusion by the financial crisis facing Latin America.

With the intention of injecting a dose of trust into an audience comprising 500 people, Cavalio mentioned the following points:

—Argentina's GDP will grow by 6.5 percent at the maximum and by 4.5 percent at the minimum.

—Government expenditures will only be 3.6 percent higher than in 1994 (government expenditures in 1994 were 7.7 percent higher than in 1993).

—Pensions will not go up in 1995.

—The trade deficit will reach a ceiling of $4.70 billion, if the pessimistic projection is taken into account, and of $1.50 billion, according to an optimistic projection.

—Exports will grow by 20 percent and imports by 10 percent.

—Tax revenues, which totaled 2.949 billion pesos in 1994, are expected to increase by 3.314 billion pesos in 1995.

—Tax controls will be enhanced. Personal and income taxes, as well as the tax situation of free-lance workers, will be one of the targets of the General Directorate of Taxation.

—There will be "a crack-down on tax evasion" by some companies that "use a phony billing system to exaggerate expenditures and hide profits."

—He promised to "deepen" the privatization program, a centerpiece of the so-called state reform. To that effect, the government will accept debt securities as payment for the assets purchased up to a ceiling of $6 billion.

—The next state-owned enterprises to be privatized through this plan or method are: Petroquimica Bahia Blanca and Indupa, Futaleufu, Salto Grande, Yacyreta, Pichi Picun Leufu, the Atucha-1 and Atucha-2 nuclear power plants, and other small hydroelectric plants.

—The proceeds from the privatization of the said companies will not be earmarked to finance current or capital expenditures, but will rather be appropriated for the consolidation of the external debt.

—Financing needs will total $5.20 billion in 1995.

—To that effect, Treasury bills worth $2 billion and having a one year maturity will be placed on the market as of February.

—There will be a new issue of the BIC bond [not further identified or expanded] for $500 million and 1995 Bonex [Foreign Bonds] will be issued against the redemption of Bonex and Bote [not further identified] for a total of $1.8 billion.

—The government might place 900 million pesos on the Argentine market or abroad, backed by bonds or bonds that can be converted into shares.

—This mechanism will be instrumental in assuring that financial houses have good liquidity, and in preventing the problems that cropped up on the local market last week when financial houses did not have long-term funds.

Cavallo arrived at the National Bank at 1720 and shortly afterward began his lengthy presentation, which concluded two hours later amidst applause by most of those present.

Amid the turmoil prevalent in the local market, the economy minister decided to summon the country's leading representatives from the economic sector to brief them on a number of issues.

The meeting, which lasted for more than two hours, was held at the auditorium of the National Bank headquarters.

(Comercial del Plata President) Santiago Soldati, (UIA [Argentine Industrial Union] President) Jorge Blanco Villegas, (Loma Negra President) Amalia Lacroze de Fortabat, (Perez Companc President) Oscar Vicente, (YPF [Government Oil Deposits] President) Jose Estenssoro, (Argentine Agrarian Federation) President Humberto Volando, and Buenos Aires Stock Exchange President Julio Macchi were among those present at the meeting.

During his address, Cavallo called upon businessmen to obtain the needed funds for financing abroad in order "to make the Argentine economy grow." In exchange for this, the economy minister pledged that the state will "refrain" from obtaining financial resources from the international market because—he asserted—it will "enhance all mechanisms to maintain Argentine creditworthiness."

Cavallo underscored the "robustness" of the Convertibility Plan and reiterated that there would not be a

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devaluation of the peso. He once again said that it is "impossible for the same crisis confronting Mexico to hit Argentina."

To that effect, he conceded that the Mexican crisis "may have an adverse effect on the Argentine economy if it continues unabated." He nonetheless asserted that Argentina "will find the solution to stave off such a possibility."

Cavallo also acknowledged that the financial crisis Latin America is going through may continue for some time.

This notwithstanding, he stressed that Argentina "will be able to weather it because it has a thoroughly sound fiscal position and government spending is totally controlled."

Entrepreneurs Satisfied With Cavallo's Report

PY1001175495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1134 GMT 10 Jan 95

[FBIS Translated Text] Buenos Aires, 10 Jan (NA)—Entrepreneurs expressed satisfaction after hearing Economy Minister Domingo Cavallo's lecture. Cavallo talked about Argentina's economic situation and offered the 1995 macroeconomic projections.

Argentine Industrial Union (UIA) President Jorge Blanco Villegas said foreign investments in the country do not come "solely because of the interest in entrepreneurial activities, but because of the clarity of the national government's policies."

Blanco said the monitoring conducted by the IMF gives Argentina "a first-level free audit," and recommended that the government "consolidate its relations" with that international organization.

Chamber of Commerce President Julio Macchi said the stock market "should go up" after the explanations made by the economy minister yesterday.

Macchi said Cavallo's lecture "was very clear, explaining Argentine problems very well." Macchi stressed the fact that Cavallo "not only described reality, but suggested solutions to the problems affecting the Argentine economy."

Rural Society President Enrique Crotto expressed "trust" in Cavallo's words, stressing that the economy minister "is a man who has always fulfilled his promises and, therefore, I do not see why he would not fulfill them this time."

"When spending goes up unpredictably, taxes must be increased. Agriculture suffers the most in these cases," Crotto said, outlining "Cavallo's commitment to all economic sectors that the country's established goals will be met."

Carlos De la Vega, Argentine Chamber of Commerce (CAC) vice president, stressed Cavallo's words to the effect that "there are no problems with the financing of our public spending."

De la Vega said "the full implementation of Mercosur [Common Market of the South] and Argentina's economic stability are the best insurance for foreign capital and investment."

Antonio Cassia, head of the General Confederation of Labor (CGT), expressed "concern over Cavallo's announcement that pensions will not be increased, leaving the pensioner income situation as bad as before."

Cassia said Cavallo is "sure and optimistic" about 1995 projections, adding that the data on the maximun and minimum for the country's economic future are "very important."

Osvaldo Cornide, president of the Coordinating Agency for Commercial and Business Activitioes (CAME), expressed caution with regard to Cavallo' remarks, adding that "the minister gave us many figures, and entrepreneurs need time to analyze them and issue a serious opinion."

Cornide added, however, that Cavallo "showed he has the elements to implement the policies he is announcing, and that is encouraging for the country and Argentine society."

Argentine Agriculture Federation (FAA) President Humberto Volando was very critical of the minister, saying that "this was the speech of a very capable accountant, but without solutions to face Argentine's real problems."

"The government issues a speech and tries to adorn it with figures, but I am sure nobody understood 90 percent of what was said," the rural leader said.

Cavallo To Meet Bankers, Investors in New York

PY1001203895 Buenos Aires TELAM in Spanish 1328 GMT 10 Jan 95

[FBIS Translated Text] Buenos Aires, 10 Jan (Telam-SEM)—As of today, Economy Minister Domingo Cavallo will try—from New York—to convince foreign investors of the "soundness" of the economic plan and of the differences between the Argentine model and Mexico, whose economy has been enmeshed in a crisis since December.

Cavallo, who left for New York on the evening of 9 January, will meet with investors, portfolio managers, and representatives from local investment banks, with whom he will then have lunch with at the magnificent Saint Regis Hotel.

Today he will also grant interviews to editors from TIME magazine and from THE WALL STREET JOURNAL at the World Financial Center, and he is then going to attend the filming of the "Bloomberg News," a television financial service.

At around 1900 local time, the economy minister will participate in a reception and dinner at the Links Club with U.S. investors and bankers.

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On 11 January, Cavallo is to have a working breakfast with journalists with expertise in economics and investment at the Credit Suisse First Boston Bank headquarters. The breakfast will last for approximately two hours.

Later, he will once again hold talks with investors, and at 1230 local time, he is to have lunch with the "Group of 30," a group comprised of the most powerful U.S. investors.

He will then meet with portfolio managers from "Merrill Lynch" and with John Bohn, president of the international credit rating company "Moody's." At this meeting, and at subsequent meetings with representatives from "Standard & Poors" and "Duff & Phelps," Cavallo will argue that "Argentina is being evaluated inappropriately," as he told one of his main aides, to whom he entrusted the organization of his agenda.

During this meeting with representatives from three of the five most important risk assessment companies, Cavallo will contend that Argentina cannot be assessed in a traditional way as "its transformation has not been in the least traditional."

Cavallo will also hold meetings with managers from the "Salomon Brothers" investment bank, and on 12 January, the last day of his visit to the United States, he will deliver a speech at the Council of the Americas headquarters.

He is also scheduled to meet with William Rhodes (chairman of the committee of creditor banks) and with John Reed (Citicorp president).

Moreover, the economy minister will hold meetings with portfolio managers from "Goldman Sachs" and "JP Morgan." To close his visit, he will meet with Argentine reporters accredited in New York before leaving for Buenos Aires on the evening of the same day.

Stock Market Suffers 'Black Day' With 10 Percent Loss

PY1001205995 Buenos Aires TELAM in Spanish 2018 GMT 10 Jan 95

[FBIS Translated Excerpt] Buenos Aires, 10 Jan (TELAM)—The Merval Share Index fell by 9.59 percent today, a "black day" according to some stock market investors, within the framework of an overall collapse of Latin American markets.

The magnitude of the fall in share prices was reflected in today's operations balance in which 46 enterprises quoted on the stock market closed with losses.

The Merval Index closed at 375.10 points against yesterday's close of 414.91 points, while the overall index, which groups all the enterprises that are listed, fell by 6.49 percent to 13,936.48 points.

The share market opened with a 10 percent decrease in the prices of several "leading" stocks.

The sales orders accumulated by the buyers did not appear, and therefore with every new share that was offered the decrease became even more accentuated. [passage omitted]

BCRA President Praises Banking System's 'Solidity'

PY1001205395 Buenos Aires TELAM in Spanish 1314 GMT 10 Jan 95

[FBIS Translated Text] Buenos Aires, 10 Jan (TELAM-SEM)—Roque Fernandez, president of the Central Bank of the Argentine Republic (BCRA), today praised the solidity of the banking system, and presented as an example the "security network" established by state and private banks to assist the institutions facing financial problems.

In remarks to Radio America, Fernandez noted: "This represents a sign of the maturity of the system."

The "security network" is made up of Banco Rio, Citibank, Banco Frances, Banco de Galicia, Banco Credito Argentino, National Bank, Banco Ciudad, and Banco Provincia. It operates as an assistance fund for institutions with liquidity problems.

Fernandez also discussed the Finansur Bank situation and explained that this institution yesterday asked the BCRA to approve the suspension of its activities as a last resource, given the massive withdrawal of funds by large investors.

Fernandez said: "Finansur returned half of all its deposits in an effort to honor its commitments." He pointed out that given the lack of liquidity, Finansur "requested a period of time to resolve this situation and pay everyone."

The BCRA president explained that Finansur enjoys, however, a good financial standing, and that "the suspension of activities is the resource left for them to seek a solution."

Finansur is the third institution (first it was Extrader, and then Finmark) to ask the BCRA to approve the suspension of its activities given the serious lack of liquidity experienced after a massive withdrawal of deposited funds.

Article Examines 'Critical' Economic Problems in Provinces

PY1001201495 Buenos Aires LA PRENSA in Spanish 8 Jan 95 p 2

[Unattributed article: "Tension"]

[FBIS Translated Text] In the past four months, ever since the beginning of the electoral campaign in view of the 14 May 1995 elections, social tensions have increased in various provinces. The Argentine Northwest (NOA), parts of the Litoral [provinces bordering the

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Parana River], parts of Cuyo with San Juan at the top, and Patagonia are regions that are showing signs of increasing unrest and relatively intense conflicts.

The national government tries to minimize the importance of the situation, but it is sounding the alarm. Future Interior Minister Carlos Corach yesterday said that Chiapas cannot possibly be reproduced in Argentina, but Social Development Secretary Eduardo Amadeo recently noted that Jujuy could explode.

There was a new round of negotiations in Salta between local authorities and the General Guemes Multi-Sector Association [Multisectorial de General Guemes], comprising provincial unemployed workers, shop owners, and entrepreneurs. Delegates attending the meetings discussed issues linked to the free trade zone, the San Isidro mill, which has recently been declared bankrupt, and the possible rehiring of dismissed workers. The total number of unemployed workers, counting employees laid off by the mill and the General Belgrano Railroad, currently stands at 4,000.

The situation is most alarming because the newly unemployed have joined the ranks of people who lost their jobs after the cement factory Minetti moved to Jujuy, those who lost their jobs the first time the San Isidro mill went bankrupt two years ago, workers from the Doctor Castellano Hospital, and provincial Highway Department employees.

The unemployed are waiting for solutions promised by the Salta government. Meanwhile, President Carlos Menem stressed that he would be inflexible in applying sanctions against people who try to block roads or occupy municipal buildings. Menem's decision will enter into effect tomorrow.

"There Will Be No Explosion"

Carlos Corach used these words in an attempt to calm down the climate of protest. But NOA's provincial officials are obviously nervous: The possible disappearance of Tucuman's sugar mill; Jujuy's political instability; the nation's highest unemployment rate affecting the region; and the certain threats of unrest—admitted off the record by some national officials—are all affecting the social heart of the provinces. In almost all these provinces, the economic adjustment demanded by Minister Domingo Cavallo has been only partially implemented, and governments are getting ready to open up a registry for voluntary retirements. In practice—due to state companies' pressures to get their employees to sign up—these registries will operate as a virtual list of dismissals.

Jujuy has yet to implement the adjustment program while the local treasury has a deficit of around 6 million pesos. The Social Security Institute, in turn, has a deficit of 4.7 million pesos.

In Tucuman, two private surveys conducted during December concluded that local inhabitants feel their central problem is unemployment. The sugar industry is in a tight spot, and small producers are suffering the consequences of a fall in internal as well as external demand. Falling international prices and the wearing out of the soil are preventing a productivity increase. Besides, the shadow of Brazilian competition, ironically in the era of Mercosur [Common Market of the South], is threatening to wipe out the local sugar industry. During 1994, five sugar mills declared themselves bankrupt. Raw material workers and producers have yet to collect their dues.

Debts in La Rioja

Rioja is facing the possibility of a suspension of payments. Pensioners and teachers have still not collected their December bonus, and provincial administration workers have yet to collect their December salaries. The president felt the anger of the La Rioja workers on his own flesh during his new year's trip to Anillaco.

Cordoba is going through a difficult economic situation. The administration has not yet paid public workers their December salaries. Formosa has its conflict zone in San Francisco de Laishi, where municipal workers closed the entrance to the municipal building two days ago, and have so far not reopened it. Las Lomitas and Palo Santo are other municipalities that have not yet paid their workers' salaries. Officials are forecasting for Las Lomitas and Palo Santo a reaction similar to what happened in Laishi.

Chaco's public administration workers could go on strike next week if they are not paid their back salaries. Meanwhile, in Corrientes, the city reinstalled the 33 workers dismissed on 6 January in exchange for the lifting of workers' strike.

Another Regional Crisis

In the south, Patagonia has to face high unemployment rates, public account imbalances, the fall of local economies, and national government pressures to speed up the implementation of the adjustment program.

Tierra del Fuego suffers with the crisis affecting the electronic industries, which due to falling demand on the domestic market and increasing imports are suspending or dismissing personnel. A total of 400 workers were dismissed in Rio Grande in the past seven months—160 of them belonged to Kenia Fueguina, which collapsed, while Continental of Ushuaia maintained its personnel suspended for two months and stopped production.

Santa Cruz must make a great effort to replace the loss of jobs produced by the privatizations of YPF [Government Oil Deposits] and State Gas, which affected the north of the province the most. Meanwhile, youngsters are fighting all kinds of difficulties in finding jobs, as the state, historically the main employer, is not hiring anyone. Commerce is in a recession, and construction practically ceased following three months of freezing

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weather. All these factors have created a critical situation for the 150,000 inhabitants of the province.

Interior Minister-Designate Interviewed

PY1001233495 Buenos Aires LA NACION in Spanish 9 Jan 95 p 5

[Report on and excerpts from interview with Interior Minister-designate Carlos Corach by Jorge Rodriguez Duval; place and date not given]

[FBIS Translated Text] New Interior Minister-designate Carlos Corach will be installed today with a priority: to regulate the financing of the political parties by law.

In a telephone interview Corach told LA NACION: "I want, and the president has also told me about this, for the money delivered to the political parties to be included in our national budget. The current budget totals 45 billion pesos, and the current appropriation for the political groups does not reach 0.1 percent. [no closing quotation marks as published]

Corach added: "As the political dynamics gradually increase, the parties require increased appropriations. This must be respected. It is also necessary to clearly state how much money they are given, so as to prevent possible acts of corruption."

[Rodriguez] How is your relationship with Economy Minister Domingo Cavallo?

[Corach] Very good...

[Rodriguez] Last week you came from your office to the Economy Ministry. Did you talk about your ministry's budget?

[Corach] Yes, we talked about the 1 billion peso cutback in expenditures that we will have to make. Interior Ministry expenditures will have to be inexorably reduced by 45 million pesos as compared with 1994 expenditures.

[Rodriguez] Concerning the provinces with social problems, will there be any cutbacks for them?

[Corach] No. This does not mean that we will reduce our contributions over the federal shared tax system.

[Rodriguez] Does the bloc of PJ [Justicialist Party] deputies appropriately interpret President Menem's ideas?

[Corach] Yes, it does well...

[Rodriguez] Nevertheless, the president complains about Congress. In your opinion, why is it that the government-sponsored bills are not approved as quickly as he would like them to be?

[Corach] Well then, it will be necessary to speed them up a little more. When it resumes its activities, Congress will have a more agile pace...

Priorities

[Rodriguez] What are the principal measures that you plan to immediately implement in your area?

[Corach] I believe there are three basic issues:

—Following Dr. Carlos Menem's indications, the electoral process must reach its greatest level of efficiency. We must not forget that this involves a different election, because the entire country represents a single district.

—The relationship with the political parties: to facilitate all the things allowed by the law, such as their financing.

—And, finally, the relationship with the provinces. We, along with the Economy Ministry and the Social Development Secretariat, must work on this issue. The federal system must be renewed.

[Rodriguez] Concerning the relationship with the opposition, you have a very good relationship with [Radical Civic Union leader] Raul Alfonsin, right?

[Corach] Right. I have had a long political career, and I maintain cordial relations with him.

[Rodriguez] Will there be smooth talks with all the parties?

[Corach] Yes, with all of them, even with those that are very critical...

Talkative and Evasive

Corach is both talkative and evasive. He does not want to pinpoint when the Buenos Aires mayor would be elected (even though it is estimated that the mayoral elections will be held in October), or what that district's autonomy—which the ruling party would attempt to limit as much as the constitutional reform's interpretation allows—would be.

When LA NACION talked a few weeks ago with Carlos Ruckauf, the current PJ vice presidential candidate, he downplayed the importance of the posts immediately below the president's.

On that occasion Ruckauf said: "We in the government are already used to Presidential Secretary Eduardo Bauza actually acting as chief of cabinet."

Like Ruckauf, Corach shrugged when he was asked if the current interior minister has limited importance. In Ruckauf's and Corach's opinion, a minister's duty will always be important, even with the president's strong influence over the cabinet's decisions.

AMIA Bombing Case Detainee Fears for 'Personal Safety'

PY1001211295 Buenos Aires CLARIN in Spanish 8 Jan 95 pp 2-3

[Article by Jorge Grecco and Omar Lavieri]

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[FBIS Translated Excerpt] "If I say who the van was for, I am a dead man." With these 13 words, Carlos Alberto Telleldin, the only detainee in the investigation into the AMIA [Argentine-Israeli Mutual Association] bombing, expressed to his relatives his fear for his personal security.

These fears, confirmed to CLARIN by sources involved in the investigation, seem to have grown following the progress reportedly achieved by federal Judge Juan Jose Galeano in the search for those who allegedly constitute the bombing's local connection.

With a past that includes a criminal record with the Cordoba Police and a number of activities that are unclear to the courts, Galeano does not have the slightest doubt that Telleldin knows more than what he is telling about the bombing.

Among these activities, Telleldin admitted that he had managed a sauna business at 559 Pasteur Street, only a few meters away from the AMIA headquarters.

When she testified before the judge, the owner of the real estate company that rented out an apartment for Ana Maria Boragni, Telleldin's wife, disclosed that she had received a telephone call the day of the bombing. In this telephone call, Boragni advised her that she was having problems paying the rent because her husband had sold the van that had been used in the terrorist attack.

What is strange in this case is that the courts only confirmed the existence of a car bomb a few days after the attack. Boragni currently cannot be found.

This accumulation of clues seems to be in agreement with the possibilities systematically mentioned by Israeli Ambassador Yitzhaq Aviran and DAIA [Delegation of Argentine-Israeli Associations] President Ruben Beraja: The terrorists who destroyed the AMIA must have had local support. [passage omitted]

Judge Galeano managed to detain Telleldin and confirmed that Telleldin was the man who sold the Trafic van that the terrorists used as a car bomb to destroy the AMIA building.

Telleldin's indictment and preventive custody were upheld by the federal court in late December. After Telleldin's indictment and preventive custody, the court pressure on the only detainee involved in this case began to grow.

Galeano raided the houses of Telleldin's mother and brother and detained them. Lidia Seeb and Eduardo Telleldin are currently awaiting a court decision.

A note discovered in Telleldin's house also regained importance. The note states "Embassy of Iran" in handwriting and also includes the telephone number and address of Iran's diplomatic mission in Argentina.

The reports currently being handled by the investigators also include Telleldin's participation in neo-Nazi groups in Cordoba along with his father, Raul Pedro Telleldin. [passage omitted]

Libya's Al-Qadhdhafi Sends Letter to Menem

PY1101023695 Buenos Aires LA NACION in Spanish 10 Jan 95 p 4

[Article by Ovidio Bellando]

[FBIS Translated Text] An envoy sent by Libyan President Colonel Mu'ammar al-Qadhdhafi told the Foreign Ministry yesterday about Libya's goal of improving bilateral relations and his hope of being received by the president.

Diplomat Mohamed Ali Shambur [name as published] said he is the bearer of a personal message from the Libyan leader for President Carlos Menem. The diplomat did not disclose the contents of the message.

Last night a decision had still not been made as to when the Libyan diplomat could be received by Menem, but if the president's agenda permits, the meeting would be held between 10 and 11 January.

Diplomatic circles mentioned that in his personal letter al-Qadhdhafi might request Argentina's support for the lifting of the international sanctions imposed on Libya.

The reason behind this request would be that Argentina will be a UN Security Council member during 1995, and that Argentina is chairing it this month.

Diplomatic relations with Libya, which were established in the 1970's, are maintained through charges d'affaires.

Our country had accredited diplomat Alfredo Cambaceres as ambassador, until mid-1994. After Cambaceres retired from active service, however, relations have been maintained at a charge d'affaires level.

Minister Juan Antonio Pardo, a diplomat who is well-acquainted with the Arab world and who has been appointed ambassador to Syria, is currently acting as charge d'affaires in Libya.

Al-Qadhdhafi's envoy is also the bearer of a personal present for the president and another present from al-Qadhdhafi's wife to Mrs. Zulema Yoma de Menem.

Bolivia

Government, U.S. Embassy Disagree on Coca Economy

PY1001161395 Cochabamba LOS TIEMPOS in Spanish 24 Dec 94 pp A1-A2

[FBIS Translated Text] Cochabamba, 23 Dec (LOS TIEMPOS)—According to a document prepared by the Bolivian Foreign Ministry, although there is no precise data, coca-cocaine activity keeps generating a strong, dynamic economic process the scope of which is difficult to calculate but which is estimated at between $283.5 and $699 million.

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The Foreign Ministry report notes that the coca-cocaine activity obviously has an impact on the balance of payments because it handles two estimates, called "minimum" and "medium."

In the minimum estimate the total income generated by the coca- cocaine process is estimated at $238.5 million during the 1990 period, and the income that remains within the country is estimated at $105.3 million.

The income generated by this activity in 1990 reportedly reflects 30 percent of overall Bolivian exports which, according to the same source, amounts to $920.7 million. Total exports reportedly increased to $1.198 billion.

According to the medium estimate, the total income is estimated at $699 million, of which $215.7 million will reportedly remain within the Bolivian economy.

Total income generated by the coca-cocaine activity reportedly represents 70 percent of overall exports, while exports will reportedly increase to $1.614 billion.

The document adds: "Nevertheless, to estimate the net effect on the balance of payments, it is appropriate to study academically what proportion of legal and non-legal exports are financed or compensated by the non-legal coca income. It has not been verified, but it is believed, that a part of the non-legal coca exports is paid with merchandise obtained as legal imports or via smuggling."

In contradiction to reports by the Foreign Ministry, the U.S. Embassy claims that the total direct added value of the coca sub-economy is estimated at $425 million in 1988, which represents 8.5 percent of the gross domestic product (GDP), and $176 million in 1993, or 2.9 percent of the GDP.

Similarly, it is believed that the total income resulting from the illegal coca withheld in the country has decreased from $279 million, or 5.6 percent of the GDP, to $119 million, equivalent to 1.9 percent of the GDP during the same period of time.

The export values have followed the same trend, dropping from $453 million in 1988, which represented 84 percent of total exports of goods, to $171 million in 1993, or more or less 24 percent of exports.

These decreasing trends are mainly the result of the drop in the prices of coca and its byproducts, and of a more effective interdiction.

The U.S. mission added that the illegal production of coca in Bolivia amounts to 66,500 metric tons and represents 20 percent, approximately, of overall world production. Its market value was estimated in 1993 at approximately $82 million, which represents about 8 percent of the added value of the country's agricultural sector.

It adds that the net added value of the subsequent processes involving the coca byproducts (cocaine-base and hydrochloride) is estimated at $95 million, which is equivalent to 9 percent of the added value of the manufacturing sector.

The net production of cocaine in the country is estimated at 72 metric tons for 1993, representing approximately 7 percent of the total in the world. Exports of cocaine-base also contributes with another 7 percent; it can be processed in Colombia.

"Finally, althouth the coca sub-economy generates certain economic activity, this has few and weak direct ties with other sectors of the economy. On the one hand, the coca industry demands very few products produced locally, and on the other, cocaine is not used as component for other industries. [no closing quotation marks as published]

Former President Returns to Political Life

PY1001221795 La Paz Television Nacional Network in Spanish 1700 GMT 10 Jan 95

[Report by Mario Espinoza]

[FBIS Translated Text] Former President Jaime Paz Zamora today unexpectedly announced that he will return to political life after almost 11 months of political ostracism.

During a news conference held today at the Chamber of Deputies Paz Zamora read a statement, but declined to answer journalists' questions.

Paz Zamora has not only decided to return to politics, but also decided to subject himself to a malfeasance trial that may be brought against him by Congress.

The following are the highlights of his statement:

[Begin Paz Zamora recording] When an all-out and systematic publicity campaign was unleashed in February 1994 with the purpose of confusing the people with slander and infamy directed against myself, my family, and my party [Movement of the Revolutionary Left, MIR] for alleged links with narcotrafficking, in response to initiative by the MIR congressional bloc and with good reason the honorable Chamber of Deputies decided to undertake an investigation.

In view of the obvious lack of evidence and judicial grounds, unfortunately what had appropriately been undertaken to clarify a legal situation became a political and sectarian process because of the machinations of the ruling majority. After a series of delays, this process concluded with a Chamber of Deputies resolution issued on 16 December that was voted for on the basis of party orders issued by the ruling government coalition.

The first point of the resolution about myself is particularly generic, unfitting, and insufficient. Moreover, for

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political objectives it casts a cloak of doubt and uncertainty over the behavior of a former constitutional president.

I categorically reject this situation for reasons of personal dignity, and out of respect for the Bolivian public, for the good name and prestige of Bolivia abroad, and for the credibility of our democratic system.

In view of the this, after deep reflection and with the sole objective of achieving a complete and definitive clarification of this regrettable incident, I have decided to voluntarily subject myself to a malfeasance trial as an ordinary citizen within the framework of the established laws. In compliance with what is established in the Chamber of Deputies resolution, I will subject myself to this trial stripped of all my prerogatives as a legislator or head of any institution. In view of this I am hereby submitting the proper report to the presidency of the honorable Congress.

Dear journalists and fellow Bolivians:

It is obvious that this is political aggression against myself, my relatives, and my party, and that it had no qualms in arbitrarily arresting acting MIR chief Oscar Eid Franco.

In view of the fact that this is a political struggle, I have against my will been compelled to respond in a political manner. In view of this, and because of the abrupt change of the situation caused by selfish detractors, I have decided to again exercise my political rights in Bolivian society. [applause, cheers]

Any injustice committed against a citizen becomes a threat against society.

To conclude, dear journalists, dear Bolivian people:

I thank the Lord for the patience he has given me to endure so much infamy, and for having spared me from answering hatred with hatred.

Thank you very much. [applause] [end recording]

Doubts exist everywhere, and those who doubt claim that the MIR is implementing one of Oscar Eid Franco's famous political maneuvers.

What Jaime Paz Zamora is truly seeking with this action is not only to save Oscar Eid Franco, but his entire family from any eventual arrests. How can this be?

Jaime Paz Zamora is asking Congress to subject him to a malfeasance trial on the basis of an old legal aphorism that states that all cases are indivisible, and that that which is the accessory or incident does not lead, but follows, its principal.

If there is a malfeasance trial all those involved will have to subject themselves to it, that is, Oscar Eid Franco, Paz Zamora's sisters, the former planning minister, and all those who have been charged by Congress. This would be the master plan by the MIR and Oscar Eid Franco.

MNR leaders have stated, however, that Congress will not play up to this game, and that the MNR will not vote for an eventual malfeasance trial against the former president, at least not for the time being.

Brazil

'Black Tuesday' Hits Latin Stock Exchanges

PY1101010095 Sao Paulo AGENCIA ESTADO in Portuguese 2015 GMT 10 Jan 95

[Report by Marcia Pinheiro and Mario Rocha]

[FBIS Translated Text] Sao Paulo, 10 Jan (AE)—Today was black Tuesday for emerging Latin American markets. Stock exchanges collapsed today in Brazil, Mexico, Chile, and Argentina when investors panicked. There were not, however, any new negative elements.

In Brazil, the Ibovespa [Sao Paulo Stock Exchange Index] dropped by 9.86 percent to 32,700 points, the worst position for stocks since 24 June 1994, when Lula was ahead of Fernando Henrique Cardoso in the opinion polls for the presidential race. Today's was also the largest drop in a single day since 5 September 1994, when then Economy Minister Rubens Ricupero resigned over the 'satellite antenna scandal.' On that day the Ibovespa dropped by 10.4 percent.

The Ivopespa index has already dropped by 33.58 percent since 20 December 1994, when the Mexican exchange crisis broke out. Today Ibovespa futures dropped by 9.81 percent, while the Rio de Janeiro Stock Exchange index dropped by 7.20 percent. Walter Mendes de Oliveira, director of Schroeder Investment and Management of Brazil (a British institution ranked among the world's 10 major administrators of investments in emerging markets), said: "I have seen only two situations similar to today: in the Naji Nahas case, and when Lula had a chance to win the election."

The credibility of Latin American countries and of their stabilization programs have been put in jeopardy since the Mexican crisis. An intense distrust prevails among administrators of foreign investment funds, who prefer not to sustain any more losses in Latin American stock exchanges by waiting until the financial markets of the region calm down.

Although on the one hand the much publicized inflow of dollars has not materialized, there has on the other hand been no major flight of dollars. Alvaro Augusto Vidigal, president of Bovespa [Sao Paulo Stock Exchange], said that the negative foreign capital balance in stock exchanges in 1995 currently stands at only $9 million. He said: "What is occurring is an attempt to compensate for losses, because those having to pay strong adjustments on the futures market are selling stocks on the cash market, thus pushing prices further down."

Mario Tomadon, manager of the stock exchange department of the ING Bank, said: "The eruption of the

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Mexican crisis was underestimated in the Brazilian market." Tomadon believes that foreign investors who sustained heavy losses in Mexico are likely to come to seek funds in Brazil, where the market has liquidity and stocks accrued real gains of 60 percent in 1994. He added: "The situation is extremely delicate. There is widespread panic and there is a great deal of fear."

Mendes de Oliveira said that the Mexican crisis was being followed with apprehension in Brazil, because it is feared that Argentina would follow suit given the fact that the monetary exchange system is the main anchor of the Argentine economic program. That fear was ultimately compounded by the ghastly prospect that foreign investment funds could withdraw their funds from Brazil. Because the series of measures adopted by the Mexican Government have not been instrumental in stopping the peso's freefall, the fear of withdrawals increased.

The Central Bank [BC] today held two auctions of dollars on the floating market. In a preliminary assessment, market operators noted that the BC had siphoned nearly $100 million into the market. The BC was attempting to stop the rising dollar rate on the floating market provoked by the withdrawal of dollars. According to analysts, the "black Tuesday" experienced in stock exchanges has also affected the money exchange market.

The rising dollar rate has not only affected the floating dollar market, but also the other markets as well; that is, the parallel and commercial markets, where the rates also increased. Analysts blame the rising trend of the dollar today on a combination of factors. It is true, however, that the rising dollar rate did not cause it to reach the upper level of the floating band; that is, 0.86 reals.

The Mexican crisis, which was provoked by the devaluation of the peso in December, has been added to other factors that were already apparent on the exchange market. One of them is the negative exchange flow. The government has registered a larger departure of resources than their inflow since November. The trend in January is going in the same direction.

The negative flow was also influenced by the crisis affecting the stock exchanges, which are gradually experiencing a drain of resources. Additionally, there are rumors of financial institutions undergoing a difficult situation. In view of this, those selling on the futures market also ended up buying dollars on the commercial market, as a precautionary measure. In light of all this, the dollar could only go up.

Yet despite all these factors causing the dollar to rise, there are no prospects for the government letting the dollar rate remain high. This would mean a change in the government's exchange policy. And a change at this moment, apart from the technical aspect of the stabilization plan—which only envisages changes in the exchange policy following the adoption of structural reforms—could yield terrible consequences for the Real Plan. It could mean a change of course, which is out of the question at this time.

Future projections of interest rates continued to be low today. The market is openly optimistic about the inflation index released by the Economic Research Institute Foundation, about the IGP-DI [General Price Index-Domestic Availability], and about the IGP-M [General Market Price Index], all of them showing a remarkable deceleration of prices. By nightfall the DI contracts negotiated on the BM&F [Commodities and Futures Market] stipulated a 3.40 percent real interest rate for January and 3.15 percent for March, as compared to the 3.41 percent and 3.15 percent that were being stipulated yesterday.

It is also expected that the BC may lower the cost of money tomorrow, because the BC slightly reduced the overnight rate this morning by granting loans at 4.57 percent. This afternoon the BC again returned to the market to take funds on the overnight market at 4.39 percent. "Operators began to speculate that the BC may lower the cost of overnight loans to 4.39 percent tomorrow," an analyst said.

In light of this optimism, which is in sharp contrast to the feeling of despair taking hold of stock exchanges, the BC today auctioned its entire supply (3 million) of BC bonds expiring on 15 February 1995 at the maximum overnight rate of only 4.07 percent. Operators said there was great demand because the rate was low.

Ministers Minimize Stock Exchange Decline

Finance Minster Malan

PY1101011795 Sao Paulo AGENCIA ESTADO in Portuguese 2027 GMT 10 Jan 95

[FBIS Translated Text] Brasilia, 10 Jan (AE)—Finance Minister Pedro Malan today minimized the drop in the Sao Paulo and Rio de Janeiro stock exchanges. "The drop does not merit any significant concern," Malan said, emphasizing that no comparison should be made between the Mexican crisis and the drop in the stock exchanges. "It is a mistake to imagine that the Mexico of today is the Brazil of tomorrow," he noted. "There are obvious differences, and this is a naive, simplistic, and hasty analysis," the minister reiterated, recalling that the course of the Brazilian economy is not the same as that of the Mexican economy.

Malan admitted that the Mexican crisis has affected open economies, like those of Brazil and Argentina, "in different ways." He declined, however, to comment on an Argentine Government initiative to send Economy Minister Domingo Cavallo to New York to calm down the financial market. Malan preferred to paraphrase the English poet John Donne, saying that in the "modern world no country is an island." Donne wrote that "no man is an island."

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The minister made these comments during a collective news conference held to address studies for the privatization of Ceara State Bank. Malan was reluctant to talk about the drop in the stock exchanges and the effects of the Mexican crisis. He agreed to make only a "brief comment" after "whispering" to Planning Minister Jose Serra. Malan evaded a reporter's question by saying it was a matter for another interview. Yet he reconsidered his attitude after a reporter said sarcastically that he apologized for having raised such an unimportant matter.

Planning Minister Serra

PY1101012095 Sao Paulo AGENCIA ESTADO in Portuguese 2035 GMT 10 Jan 95

[FBIS Translated Text] Brasilia, 10 Jan (AE)—Planning Minister Jose Serra today said that the government is not concerned about the impact on Brazil of the Mexican exchange crisis. He said: "The Brazilian position is solid enough to withstand external disturbances like that one." According to Serra, the Brazilian economy is much more solid than the Mexican economy.

Serra tried to minimize the sharp declines that occurred today in Brazilian stock exchanges. He said: "The market goes up and down, depending on the circumstances." In his opinion, "in today's world, obviously no country can regard itself as an island impervious to what is happening in other regions of the planet." He added, however, that "the effects of the Mexican crisis can be perfectly well absorbed by the Brazilian economy, with no major problems."

Cardoso Rejects 'Inappropriate Pressure' Over Central Bank President

PY1001203295 Rio de Janeiro O GLOBO in Portuguese 6 Jan 95 p 3

[Article by Denise Rothenburg and Maria Lima]

[FBIS Translated Excerpt] Brasilia—President Fernando Henrique Cardoso said that the delay in the vote to approve Persio Arida as Central Bank president amounts to the exercise of "inappropriate pressure" by lawmakers against the government. He warned lawmakers that he will not yield to that type of conduct. The president said that he advocates dialogue, that he does not exercise pressure, and that he does not want to be pressured, either. Cardoso, who rejected any kind of deal, issued a warning to those who want to vote first on amnesty for Senator Humberto Lucena: Brazil is waiting for the approval of Persio Arida's designation.

On the evening of 4 January Cardoso instructed Vice President Marco Maciel to mobilize the blocs for yesterday's voting session. Maciel, who is the government's main political coordinator in this first phase, could not fulfill the mission: Two senators were lacking in order to make up the necessary quorum of 41 senators. With a vote list on his table, Maciel made several phone calls to the senators. One of his main arguments followed the reasoning of Fernando Henrique Cardoso: Brazil is more important than the domestic problems of the Chamber of Deputies and the Senate. Despite the Central Bank being an institution that operates automatically, it is crucial for economic stability to have Arida's designation immediately approved by the Senate, giving more stability to the financial market. On 5 January the government once again showed that it does not intend to yield to pressure: It designated the presidents of the federal banks: Paulo Cesar Ximenez for Banco do Brasil, Sergio Cutolo for CEF [Federal Savings Bank], and Byron Queiroz for BNB [Bank of Northeast Brazil]. [passage omitted]

Senate Approves Arida's Nomination as Central Bank President

PY1001231795 Brasilia Voz do Brasil Network in Portuguese 2100 GMT 10 Jan 95

[FBIS Translated Excerpt] The Senate has approved the nomination of economist Persio Arida as Central Bank president. After several unsuccessful attempts, the Senate today approved—through a secret ballot—the nomination of economist Persio Arida.

Pro-government leaders had already decided to delay the voting for tomorrow. Yet after noting that there was an unexpected quorum, leader Epitacio Cafeteira PPR [Progressive Renewal Party] President Esperidiao Amin suggested going ahead with the vote. During the vote Senator Alfredo Campos abstained, 42 senators voted in favor, and 8 were against the proposal. [passage omitted]

Edmar Bacha Installed as BNDES President

PY1001151895 Brasilia Radio Nacional da Amazonia Network in Portuguese 0900 GMT 10 Jan 95

[FBIS Translated Text] Edmar Bacha, the new president of the BNDES [National Bank for Economic and Social Development], said that he will continue helping to administrate the Real Plan. He said the BNDES will be an exceptional partner of the Real Plan.

During his inaugural speech, Bacha pointed out that his challenges are to help Brazilian businessmen integrate with the Mercosur [Common Market of the South] and broaden their horizons in the international economy.

After the ceremony in which Edmar Bacha was installed as BNDES president, Finance Minister Pedro Malan said that during the next four years the government will administer the economy without resorting to magic tricks or economic packages. Malan ruled out the possibility of changes in the exchange policy. For the time being, he said, there is nothing to say about the exchange policy.

Cuba's Alarcon Visits, Discusses Economy, U.S. Relations

PY1001214695 Rio de Janeiro JORNAL DO BRASIL in Portuguese 8 Jan 95 p 11

[Article by Regina Zappa]

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[FBIS Translated Text] Brasilia—Ricardo Alarcon, president of the National Assembly of the People's Government and a leading Cuban policymaker, has stated that a mixed economy with strong participation by the state, and a growing inflow of foreign capital, are the answers found by the Cuban Government in facing the difficult task of adjusting to the new reality brought about by the collapse of the Berlin Wall. This formula has been instrumental in preventing a further deterioration this year in the Cuban economy, which according to Alarcon is beginning to show signs of recovery. He joked: "This recovery has occurred precisely during the year when it was predicted that the Cuban Revolution would end."

Alarcon, who served as Cuban ambassador to the United Nations and recently negotiated the rafters crisis with the U.S. Administration, admitted that the economic policy adopted in Cuba is no longer purely socialist as were those adopted in the past. He noted, however, that this policy was the solution found by the government to preserve the social achievements of the Cuban regime.

In remarks made at the residence of the Cuban ambassador in Brasilia, where he stayed this week as the head of the Cuban delegation attended the inauguration of President Fernando Henrique Cardoso, Alarcon said: "Our economic opening is designed precisely to preserve the achievements of the Revolution in the areas of education, health, and social security."

Alarcon added: "We started this year discussing what to do with the financial crisis. We took steps to increase the prices of items such as cigarettes and liquor. People would rather pay more for rum if they know that this would mean that the price of milk will not increase. We decided to cut expenses in the areas of defense, bureaucracy, and administration, and chose to increase the budget for education, health, and social security."

Tourism has flourished in Cuba and has become the leading sector of the economy. In Alarcon's opinion, this is both good and bad news. It is bad because it means that sugar is no longer the main source of foreign revenue for Cuba. The sugar cane harvest will be very poor this year. He stated that sugar production will, however, improve in the future as a result of opening up this area to foreign investments. Milk production and cattle rearing have already shown modest signs of improvement. France and Canada are participating in oil prospecting. Production has increased in the areas of oil prospecting, science, technology, and the pharmaceutical industry.

Blockade

Alarcon said that the U.S.-imposed trade blockade has prevented Cuba from achieving a more rapid economic recovery. The Cuban economy has declined since the defeat of socialism in the former Soviet Union.

Rejecting allegations that Cuba has used the blockade only as an excuse for its poor economic performance, Alarcon said that "the recovery process will go much more slowly due to the blockade." He added: "If the blockade ended today, there would be a great carnival in Cuba. No Cuban residing in Cuba is in favor of the blockade. The blockade has gone as far as to divide the Cuban family."

Alarcon cites some immediate consequences that an end to the blockade would bring: a relaxation of tensions, a removal of stumbling blocks for development, and the beginning of a process of normalizing trade ties with the United States. Cuba could, for instance, buy rice from Louisiana instead of buying it from distant countries as it is doing now, paying much more in freight costs.

Alarcon said: "In fact, the greatest irony is that the hegemonic objective that prompted the blockade has ultimately had the opposite effect in Cuba." He added: "Because of the blockade, we had to seek partners elsewhere. We were thus able to diversify our ties worldwide without becoming dependent on any one country or region."

Any foreign company wishing to invest in Cuba must enter into a partnership with the state. The government may thus choose its partners in those areas of greatest interest. Alarcon said: "This does not mean that we are inflexible, but that we will never return to the degree of dependence that existed before the Revolution. There is no way of undoing what has been done; there is no going back."

Alarcon believes that the pro-blockade sentiment is not declining in the United States. The Republican victory in the recent midterm legislative elections has strengthened the position of the American establishment which, he said, remains extremely tough. Alarcon believes, however, that the Clinton administration "is much less aggressive." He added: "This administration has put aside the aggressive rhetoric that prevailed during the Reagan and Bush years. We envisage possibilities of improving our relations. Clinton is more sensitive to social problems; he can better understand the achievements of the Cuban Revolution."

Expects Changes in Post-Castro Era

PY1101023095 Rio de Janeiro JORNAL DO BRASIL in Portuguese 8 Jan 95 p 11

[Article by Regina Zappa]

[FBIS Translated Text] To discuss Castro's succession is still taboo in Cuba. Ricardo Alarcon, president of the National Assembly of the People's Government, smiles when he is reminded that not even Fidel Castro will be around forever. He admits, however, that no one could replace Castro, and that the political system will probably be reevaluated. He said: "Things will be different; changes will have to be made." Although Raul Castro, Fidel's brother, is next in line for succession, Alarcon

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believes that the political system will be reviewed in order to define what course the country should take without Fidel.

Alarcon came to Brasilia to represent the Cuban Government at the inauguration of Fernando Henrique Cardoso, because Fidel declined at the last minute. Castro was initially expected to attend the inauguration, but decided to stay in Havana to attend the Cuban Revolution celebrations on 1 January, the Cuban national day. Alarcon said: "The president had many engagements on that day. He thought it best not to go away on that day."

Judging from Alarcon's remarks, Castro's decision does not mean that the Cuban domestic situation has become more delicate. Alarcon notes that a recent survey conducted in Cuba by the Gallup Institute and disseminated in the United States by THE MIAMI HERALD shows that 70 percent of Cubans trust the regime. The rafters crisis was useful in showing that no sooner had the U.S. Government started to treat Cubans like any other Latin American than the exodus stopped.

Alarcon said: "Those Cubans taking to the sea to reach the Florida coast were willing to test their luck. The fact that Cuba was experiencing serious difficulties and that the U.S. was receptive to Cuban immigrants were encouraging people to leave Cuba. Through our negotiations in New York, we obtained from the U.S. Government a fair, flexible policy for those wishing to become legal immigrants. Earlier, the quota of legal immigrants was small, but anyone managing to cross the Straits of Florida to Miami was welcomed with open arms."

According to Alarcon, the agreement signed with the United States entails mutual, respectful recognition. He said: "The treatment we were accorded shows that the United States respects us. No one negotiates with a dying regime."

Alarcon notes, however, that there is still a great deal of resistance to overcome. He said: "Within the U.S. establishment there has always been a very strong group that believes that Cuba should belong to the United States. The only explanation for this can be found in historical facts." He adds: "Had the Soviet Union not existed, there would still have been opposition in the United States to the Cuban Revolution. I believe Americans are beginning to realize that Cuba is not part of the United States."

Political Council Plans Schedule for Constitution Reform Talks

PY1001151795 Brasilia Radio Nacional da Amazonia Network in Portuguese 0900 GMT 10 Jan 95

[Report by Beth Veloso from Brasilia]

[FBIS Translated Text] The government will negotiate separately with each party the constitutional reform proposals it will send to Congress on 15 February. The decision was made during a Political Council meeting in Planalto Palace yesterday. The meeting was held among the presidents of the PFL [Liberal Front Party], PMDB [Brazilian Democratic Movement Party], PSDB [Brazilian Social Democracy Party], and PTB [Brazilian Labor Party], and Vice President Marco Maciel. The presidents of the PL [Liberal Party] and PP [Popular Party] were invited to the meeting, but they were traveling abroad.

Vice President Marco Maciel will be responsible for the political negotiations concerning the reforms before they reach Congress. The schedule for holding the meetings will be set during a meeting on 18 January among the presidents of the parties and the vice president of the Republic. In principle, the first meeting will be held with the PMDB bloc on 26 January. The meeting with the PSDB will be held on 27 January, and the meeting with the PFL will held on 3 February.

The vice president said that an executive secretariat will be created to put into practice the decisions made by the Political Council. According to Marco Maciel, this secretariat will be coordinated by three or four congressmen. The executive secretariat will also receive petitions from mayors and politicians and act as a liaison between Congress and Planalto Palace.

Aquino Named Southeastern Military Command Chief

PY1001151595 Sao Paulo AGENCIA ESTADO in Portuguese 2030 GMT 6 Jan 95

[FBIS Translated Text] Sao Paulo, 6 Jan—General Paulo Neves de Aquino is the new chief of the Southeastern Military Command. Gen. Aquino, former Planalto commander, today replaced General Carlos Arcoverde de Freitas Almeida, who retired. Freitas Almeida had been chief of the Southeastern Military Command—which groups more than 100 organizations and 20,000 soldiers—for three years and eight months, which is considered a record in the post.

The ceremony was attended by Sao Paulo Vice Governor Geraldo Alckmin (PSDB) [Brazilian Social Democracy Party], Sao Paulo Deputy Mayor Solon Borges dos Reis (PTB) [Brazilian Labor Party], and Senator Romeu Tuma (PL) [Liberal Party].

Chile

Stock Exchange Experiences 'Record' Fall

PY1001223295 Madrid EFE in Spanish 2011 GMT 10 Jan 95

[FBIS Translated Text] Santiago, 10 Jan (EFE)—Half an hour before closing today, the Santiago Stock Exchange experienced a record 3.64 percent fall in the general shares price index (IGPA).

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Meanwhile, the selective shares price index (IPSA) for the 40 most wanted shares also experienced another "record" by dropping 5.24 percent, which is comparable with the 5.7 percent fall experienced on 24 October 1991.

So far this year the IPSA has experienced a 10.2 percent fall and the IGPA a 5.28 percent decline.

The shares experiencing the greatest drops were Laboratorio Chile by 12.15 percent, Cervezas by 10.2 percent, and Telex Chile by 8.7 percent.

According to the partial Stock Exchange report, predictions that the Mexican crisis and the Argentine devaluation would only affect the stock markets of those two countries, as investors would be able discriminate as to where to invest, were mistaken.

According to the partial report, a few days after the beginning of the year one can talk about great losses of capital, especially in Chilean shares offered in Argentina and on the New York Stock Exchange.

Accumulated losses in the electrical sector, which has a strong presence in Argentina, thus indicated declines by 10 January of 16.34 percent for Chispa-2; of 16.12 percent for Chispa, and of 15.69 percent for Luz-A.

Among the telecommunications enterprises that deal with ADR's [American Depository Receipts] on Wall Street, the most significant accumulated fall was experienced by Telefonos-A (3.95 percent), Telefonos-B (2.78 percent), and Entel (2.66 percent).

At a lecture today Chilean Finance Minister Eduardo Aninat ruled out the possibility that the Mexican crisis could affect the Chilean economy.

Aninat said the two countries have different economies, and mentioned Chilean macroeconomic figures.

He admitted, however, that because Chile is a commercial partner with Mexico, that country's crisis will have some impact in Chile.

Opposition Opposes Government's New Labor Reform Bill

PY1101003095 Santiago EL MERCURIO in Spanish 30 Dec 94 p C2

[FBIS Translated Text] The opposition yesterday rejected the labor reform bill that the government will disclose today. The leaders of the Independent Democratic Union [UDI] and National Renewal [RN] labeled the bill "demagogic" and "a negative sign."

The bill, which will be made known today in its main aspects, and which proposes negotiations between companies and an end to hiring replacements during strike periods, was labeled by Alejandro Foxley, former finance minister and current president of the Christian Democratic Party [PDC] as a "significant advance."

RN Senator Sebastian Pinera warned that his party is willing to seek agreements but not to sacrifice the essential principles of the labor contract.

UDI President Jovino Novoa said that the announcement of new changes in the labor legislation is "the most demagogic reform proposal known in the recent political history of our country."

Novoa noted that the announced reforms are absolutely unnecessary, as labor relations in the private sector are completely normal and the social conflicts are taking place in the sectors where the state is the employer.

Novoa indicated that the opposition will do everything possible to prevent the announced reforms from being approved in Congress. He accused government officials of trying to make rightist groups pay the political cost for this situation.

He said: "The government is giving in to the CUT [United Workers Confederation], and in order to be in good terms with it is transferring to us the responsibility for ensuring the stability of the country."

Novoa said sarcastically that if his party approves the new changes in the labor legislation, "the Finance Ministry and the Central Bank would lose their teeth, because the illusion of competing with the developed countries would come to an end."

He pointed out that the proposed labor changes will reduce the creation of jobs and will take away the incentive for investment.

Novoa concluded by saying: "We are really facing a regressive proposal, and I believe it is a governmental irresponsibility to sponsor the reforms."

RN President Andres Allamand said that the new labor reform proposals "are a very negative sign."

He said the administration of President Patricio Aylwin carried out a complete review of the labor laws, and that substantial agreements between the government and the opposition were reached to prepare a future of stability in the labor sector.

Regarding the announcement of new reforms to expand collective negotiations, Allamand said the proposal is wrong and regressive because it will make the labor market more rigid, which in turn will directly hurt the workers themselves and those trying to get jobs.

Senator Sebastian Pinera said that if negotiations between companies are held, as proposed by the government, salary agreements will be sought at the industrial average. He added that in this case the companies whose productivity is below average will not be able to comply with the agreement between companies, thus creating unemployment and loss of production.

Pinera also said that the elimination of replacements in case of strikes, as proposed by the labor minister, means

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in practice that Chilean companies will be at the mercy of those capable of organizing and financing an indefinite strike.

He added: "This would create a great incentive to politicize labor relations, with the very negative effects that this situation has had in the past."

He pointed out that the best labor and salary policy in a country is to have a good economic policy promoting investment and growth.

Pinera said that despite being against the labor reforms announced by the government, the RN is willing to seek agreements, but not to sacrifice essential principles of the labor contract such as free decision among parties.

PDC President Alejandro Foxley, in support of the initiative, said that the opposition must be able to see that the changes to the labor legislation that are to be submitted by the government to Congress are a modernization, and not a step backwards as claimed by rightist sectors and businessmen.

He said that the reforms must be looked upon as an opportunity to better protect the rights of all workers in sectors that are currently unprotected, such as workers in temporary jobs, and those who work in ports, in business, and in agriculture.

Foxley believes that the changes in the labor laws to be proposed by Labor Minister Jorge Arrate are a significant advance "in what it is meant to be a modern country."

As an example, he said that all Chilean workers will be able to negotiate collectively, which is something that is not happening, and that there would be greater flexibility in working hours for employed people.

Foxley also said that a very significant training program will be implemented, and that the unemployment insurance issue will be on the agenda again in 1995.

Indigenous Groups Express NAFTA Concerns

95SM0089C Santiago EL MERCURIO in Spanish 5 Dec 94 p C9

[By Maria Angelica Venegas Ruz]

[FBIS Translated Text] Temuco—For Chile's indigenous ethnic groups—and in particular for the Mapuche tribe—incorporation of Chile into NAFTA could become a *futa kutran* (great sickness) that would bring to these peoples *afduam* (distress), *ngunun* (hunger), and *kutratun* (pain).

These fears are motivated by three major problems that relate respectively to: 1) the ownership of land and natural resources; 2) Indian knowledge and intellectual property; and 3) development, the economy, and identity. The ethnic groups are calling for legal protection that will safeguard their interests and protect them from the potential loss of their inheritance.

These aspects were analyzed extensively at an international conference on NAFTA that was attended by representatives of 70 indigenous groups from Mexico, Peru, Bolivia, and Chile. The conference was organized by the Mapuche group "Council of All the Lands."

Efrain Capiz Villegas, overall coordinator of the Emiliano Zapata Union of Comuneros cited the experience of Mexico's indigenous peoples. He explained that although these peoples were not even mentioned in the NAFTA document that was signed by Mexico, Canada, and the United States, the agreement has nonetheless induced changes in the laws that had served as protection for these peoples.

Capiz cited the fact that before NAFTA was signed, the Mexican Government had been granting arable lands to individual groups of 20 indigenous comuneros—lands which under no circumstances could be sold. When Mexico joined NAFTA, however, these laws ceased to exist, and the transnational companies are now acquiring them at very low prices.

The delegates who attended the Temuco conference say that indigenous peoples regard the territory they occupy as containing a complex of elements that determine their linguistic, domestic, and cultural identity.

They explain that the indigenous peoples have developed an entire body of knowledge concerning the lands they occupy—a domain of biodiversity—that is expressed in the knowledge of their plants and animals. These lands have a sacred character, and the indigenous peoples conduct their spiritual ceremonies there.

The Mapuches argue that our country does not yet have an Indigenous Peoples Law that is totally supportive of these peoples and that protects local ethnic groups. The question that arises is: How will the indigenous peasants and their lands be protected after the arrival of the multinational corporations?

Aucan Huilcaman, the *werken* of the Mapuche group "Council of All the Lands," maintains that the laws of national governments are losing their force, that the legal norms of an international character are prevailing, and that these norms are weakening the sovereignty—and limiting the jurisdiction—of the individual nations.

"We indigenous peoples will not impede the government's economic relations," Huilcaman explained, "but this in no way means that our rights can be violated by the implementation of programs of investment in the extraction of natural resources, because many of those resources are a part of our identity."

Inasmuch as it is a multilateral economic agreement, the werken said, NAFTA will be regulated by the judicial-legal structure, which should include our rights and at the same time the protection of those rights. For this reason, he said, the agreement must specify the obligations of the organizations that will implement plans, programs, and projects that directly or indirectly affect the indigenous peoples.

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Intellectual Property

The representatives of the indigenous peoples also emphasized the facilities to which foreign organizations might have access for conducting genetic studies among the indigenous cultures.

This aspect became the subject of public discussion when it was learned last September that an informal consortium of U.S. and European universities and scientists was planning to carry out a Human Genome Diversity Project—a.k.a. Project Vampire—the object of which is to collect samples of blood, hair, and skin from more than 700 of the world's indigenous communities, including the Mapuches, Kaweshkar, and Yamanas.

In view of the possibility of establishing close economic ties with the United States, it is now being suggested that this genetic plan might be made conditional on our country granting facilities for this type of research. This would be an attempt to prevent what happened early this year when a U.S. medical doctor in Panama drew a blood sample from a male Guaymi Indian in which a type of virus was detected that could help to combat AIDS.

In 1985 the Huilliches in Chile were the object of research by Japanese scientists who were studying the development of the antibody ATCL. Neither the results of the research nor the ultimate destination of the genetic material that was used as a source of information are known at the present time.

The indigenous ethnic groups are wondering what benefits—if any—will accrue to the local tribes from whom the samples were taken. They wonder whether these tribes will have access to the genetic material that has been collected, and they wonder where these collections will be kept. They are also asking whether it is legitimate to make a profit from the genetic material of indigenous peoples whose physical survival is at stake.

The Mapuches warn that the issue of intellectual property—or, as they put it, of the "usurpation" of their knowledge—should be handled in such a way as to provide absolute protection for the knowledge of the indigenous groups. If this knowledge is to be published and used outside of the communities themselves, it should be subject to the approval of a consultative council of those communities. "The fact that we are being robbed of our culture should be a source of concern to all human beings," they explain, "because not only is the knowledge of others being patented but also the food, the plants, and even the genetic material of the indigenous peoples."

System of Production

Another concern is the possibility that trade with the North American countries could have the effect of disrupting the peasants' system of production. Representatives of Mexico have reported that after their country joined NAFTA, hundreds of foreign nationals began touring the countryside to tell the locals of the "advantages" of introducing certain crops, and within a short time the ties that bound the Indians to their domestic economy were broken, thereby causing a subsistence problem among the indigenous communities.

"Efforts to make a profit from cheap labor can cause irreversible damage to our cultures," said Efrain Capiz of Mexico, "and that is what is happening to us."

Commentator Views Conditions To Join NAFTA

PY1001172595 Santiago EL MERCURIO in Spanish 28 Dec 94 p A2

[Commentary by Ernesto Tironi: "NAFTA and the WTO]

[FBIS Translated Text] The U.S. agreement to begin negotiations for Chile's entry into NAFTA was achieved only after the approval of the Uruguay Round of GATT by the U.S. Congress. Why?

What is the relationship between the GATT (now the World Trade Organization—WTO) and NAFTA? Why was it a previous U.S. condition to begin negotiations with Chile? What are the consequences of the GATT/WTO-NAFTA relationship for Chile's negotiating interests?

Now that Chile is definitely preparing to begin direct negotiations to join NAFTA, it is appropriate to be fully aware of its relationship with GATT. The answer is clear: The agreement for Chile's entry into NAFTA must simply be made under very precise conditions established by GATT. Otherwise, any of the other 120 member countries of GATT will be able to object to the agreement reached by the United States, Mexico, and Canada with Chile and these latter countries will be forced to change their agreement or pay compensation to the objectors. The GATT is like "the father-in-law" of all regional agreements: One cannot get married to a neighboring nation without first "asking for her hand."

The condition imposed by GATT (in fact, by all member countries) is that any regional agreement must reduce trade barriers among its members, without increasing those imposed on third countries. In other words, a preference is allowed for imports from countries of the Free Trade Agreement (for instance, on automobiles produced in Detroit, which will pay less than 11 percent in customs tariffs), but the same result cannot be obtained by increasing tariffs on third countries (for instance, increasing tariffs on the French Peugeot to more than 11 percent). This condition will lead to a situation wherein, in the economists' jargon, the "development of trade" overcomes the "deviation of trade."

The above is not a set of general intentions that must be declared. It is something very concrete. It is a matter of fulfilling what was established in a restrictive manner in Article 24 of GATT. If it is not fulfilled, another country

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will be able to request an arbitration panel and one will be forced to fulfill it or to pay a fine.

Having understood the GATT/WTO relationship with the Free Trade Agreements, we can understand why it was a U.S. prior condition for negotiating with Chile. The United States, which conducts most of its trade with the European Union and Japan, cannot afford to weaken the GATT/WTO in favor of regional agreements. On the contrary, it must strengthen it so that those agreements will contribute to the generalized liberalization of trade. If not, we will be falling progressively into the formation of closed blocs. And the European Union, the largest and most comprehensive regional agreement, would have even more justification for discriminating against third countries (among them Chile).

The most interesting thing is that for Chile itself, it is better that the agreement with NAFTA be made under the terms provided for by GATT. Or, looking at this from another viewpoint, the GATT is the legal protection Chile has to make sure that said agreement will generate more development than deviation of trade.

Finally, what are the implications of all this for the Chilean negotiating interests within NAFTA? It is obvious that our country must always ensure that the agreement with the United States, Mexico, and Canada (as well as with Mercosur) [Common Market of the South] is not proposed as an alternative to GATT/WTO. On the contrary, Chile must maintain and increase its multilateral commitment within GATT to protect itself from pressures that seek to excessively enclose it within regional accords. It is the guarantee for ensuring the implementation of the second term of its policy of "open regionalism."

There are other reasons, apart from this, to always maintain an active commitment with multilateralism in the case of a small country like Chile. When one seeks a close association with a country much richer and much larger (100 times in this case), the motives for seeking protection via a multilateral law or rule that will encompass everyone are strengthened.

Communist Daily EL SIGLO To Become Weekly Publication

PY1001203095 Santiago LA TERCERA DE LA HORA in Spanish 15 Dec 94 p 12

[FBIS Translated Text] The communist mouthpiece EL SIGLO will cease its daily publication as of 16 December due to the serious financial losses it has experienced over the past two years since its reappearance. This report was released by Communist Party Leader Carlos Toro, who said that the publication, which will now be a weekly, has a current deficit of 2 million pesos monthly, "as we do not have any state or private advertisement."

Colombia

Mayor Comments on Situation in Putumayo Department

PA1001160495 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 10 Jan 95

[Telephone interview with Felipe Guzman, mayor of La Hormiga, Putumayo Department, by an unidentified reporter in the network's studio in Santa Fe de Bogota; from "Caracol's 0600 to 0900" newscast—live]

[FBIS Translated Text] [Reporter] The government and communities of Putumayo Department were about to reach an agreement last night to end the protests and to improve the central government's attention to this abandoned region. We will find out today whether there are possibilities for rapport between the government and Indian communities in El Putumayo Department.

The members of the government's negotiating commission stayed in Orito overnight and are expected to return to La Hormiga today to finalize the agreement. It is believed there will be an agreement this time.

We will interview La Hormiga Mayor Felipe Guzman. What is the situation in La Hormiga this morning, and what were the results of last night's meeting?

[Guzman] The members of the negotiating commission representing the communities have heard the arguments presented by the government commission, headed by Jose Noe Rios, after two days of continuous negotiations. The government has exhibited understanding toward the needs of the region, has understood the problems, and important agreements have been reached on the glyphosate spraying as well as problems related to energy, health, and education. A recess was declared last night in Orito to draft a final document.

The people in La Hormiga also want to present a draft proposal. Both documents will be broached this morning in order to agree on a final document that should include all the demands in order to end the protest.

[Reporter] There has been concern of an alleged guerrilla presence in the promotion of this protest. EL TIEMPO carried a report today stating the guerrillas are hindering the pacts in Putumayo. Do you know anything about that situation?

[Guzman] I was at the negotiating table at all times, and I have not heard anyone defend any subversive position or anything of that nature. I believe the members of both commissions have engaged in certain superfluous discussions, sometimes spending time discussing unimportant matters. The subject of talks with the guerrillas has not been discussed or defended by any community representative. I believe this point will be dealt with quickly, because the government has a clear position on this matter.

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[Reporter] One of the most controversial subjects concerns the spraying of coca and poppy plants with glyphosate. Will peasants finally accept the government's decision to continue spraying in that region? What is the situation now?

[Guzman] The commitment with the peasants at this moment is that the illegal crops will be destroyed; in other words, the government and peasants will fully comply with Conpes [National Council for Economic and Social Policy] Document 27-34 and Resolution 001-94, meaning commercial crops will be sprayed with glyphosate, and smaller, illegal crops that are for sustenance and subsistence will be destroyed manually or mechanically.

[Reporter] In addition to the subject of glyphosate, what is the second most important and crucial point in these negotiations?

[Guzman] The construction of a road from the municipality of Orito to Monopamba, a town in Narino Department. This road would benefit the entire region and would reduce the current traveling time by 70 percent.

[Reporter] Is this a demand from the organizers of the movement and a condition to lift the strike?

[Guzman] Yes, of course. An agreement has been reached on this point. The government will conduct the necessary studies in order to start this project as soon as possible.

[Reporter] Based on what you have said, can we say that the problem of spraying with glyphosate will be solved in the following manner: The so-called commercial crops measuring more than two hectares will be sprayed, and those less than two hectares will be destroyed manually by the peasants themselves?

[Guzman] Correct, as long as the government implements a policy to develop the countryside. The alternate development plans mentioned in the Conpes document must be implemented as soon as possible, because although the government has announced it will invest $1 million in El Putumayo, people....[pauses] The general feeling is that this amount of money is not enough to face all needs, underdevelopment, and backwardness in this region.

Government, Peasants Reach Accord on Glyphosate Spraying

PA1101015795 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 0000 GMT 11 Jan 95

[Report by Marta Rojas from the "24 Hours Newscast"]

[FBIS Translated Text] This evening, the peasants of Putumayo and the government reached an agreement to end the protests there. After three days of talks, the participants in the Putumayo protests have reached an agreement with the government commission.

It has been guaranteed that the peasants can return to their lands, glyphosate will only be sprayed at farms larger than three hectares, and smaller farms will be cleared by the farmers themselves. Also, more than $1 million will be spent on public works projects, which will include the finishing of a road to Pasto, the construction of a university and a hospital, and the improving of school installations.

It has been guaranteed that there will be no reprisal against the organizers of the protests.

Ecuador

Government Expresses Regret Over Student's Death

PA1101023995 Quito Voz de los Andes in Spanish 1200 GMT 10 Jan 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Administration Secretary General Carlos Larreategui says the government regrets the incident last week which claimed the life of Juan Carlos Luna, a student at the Juan Montalvo School. Larreategui argued that the incident was triggered by agitators who infiltrated the student ranks, and he added that certain news media have confirmed that student snipers fired on police.

Yesterday, high school and university students continued demonstrating in Quito to protest the Educational Freedom Law and the increase in urban bus fares. High school and university students and teachers from the UNE [National Union of Teachers] damaged several vehicles. The demonstrators have announced that on 12 and 13 January their demonstrations will be much larger and more militant.

New Army Commander Assumes Post

PA1101023895 Paris AFP in Spanish 0024 GMT 10 Jan 95

[FBIS Translated Text] Quito, 9 Jan (AFP)—In a ceremony today headed by President Sixto Duran-Ballen, new Army Commander General Jorge Ortega assumed his post, replacing former Commander Miguel Iturralde. Seven new division generals also received their batons during the ceremony. Iturralde and seven others, most of them members of the Armed Forces, died in an helicopter crash in the Amazon region three weeks ago.

Paraguay

Military-Civilian 'Tensions' Examined

PY1001190795 Asuncion ULTIMA HORA in Spanish 6 Jan 95 pp 16-17

[Article by Carlos Martini]

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[FBIS Translated Text] The president's initiative to condition the promulgation of the 1995 budget to a pay increase for the Armed Forces—which should be fundamentally construed as a gesture for the internal consumption of the power elite and its unresolved tensions—posed for the umpteenth time the need to make a thorough study of the military issue. Once again, an agenda including questions related to the institutionalization of the Armed Forces is mentioned. With regard to this point, some considerations must be made:

1. Failed experiences: The incorrectly termed civilian-military dialogue of August and September 1991 failed—it was almost always a monologue that sought to present the new military organization chart—because a) its proponents were not honestly interested in discussing basic issues; and b) the opposition accepted, out of prudence or faintheartedness, the untimely closing down of the dialogue without presenting any counterproposals.

2. The new political-juridical context: The new 1992 Constitution; the new Electoral Code (1990); the swearing in of the first civilian president in 40 years in August 1993; and the new correlation of forces in Congress produced a set of new rules of the game, with greater possibilities for reducing the autonomous character of the military, which in the case of Paraguay had the characteristics of a nonprofessional autonomy (Augusto Varas).

3. Toward new legislation: In many occasions we proposed—we included the list of topics—the elaboration of a military institutionalization agenda. It is significant, however, to point out that many of the basic points of that agenda are now under study in Congress. We have, for instance, the recently promulgated Law 514, which is essential in order to advance toward a military subordinated to state powers. We also have Law 261 temporarily suspending active duty military and police affiliations to political parties—it was declared unconstitutional, but could be amended and, through negotiations, approved. Finally, the Chamber of Deputies Defense Committee, with the important advice of a military commission designated to the effect, finished the study of the future Defense Law, analyzed 80 percent of the future Military Personnel Regulations, and in the future will study a new military organization law (here legislators will have to study Armed Forces' structure, size, and the military forces command, among other things). If these three bills are approved within the first semester of the year, we will have the basis for a military reform.

4. Building civilian power: With that legislative basis we will be able to start reforming our security, defense, and military policies. That is, one of the trends of the current process is the configuration of juridical instruments leading to the supremacy of civilian power.

However, this transition from a militarized society and politics to a military subordination to state powers necessarily depends on the firm political will of the commander in chief and the determination of the various democratic political groups, from the ruling party as well as opposition parties. The matter needs a basic consensus on democratic rules of the game. In this area we still see limitations in President Juan Carlos Wasmosy, who is still unable to establish clear vertical relations with some of his subordinates, a problem that provokes cyclical phases of tension that risk destabilizing the political system.

A new and reformed judicial branch will be essential within this institutional framework to try to adapt military activities to the new scenario. The impunity enjoyed by some military officers is the product of a justice system that often acted as a branch of the actual power centers. Just look at the strange trial of General Lino Oviedo for his participation in active politics. The trial only served to launder his violations.

5. The agenda is no problem. Any citizen following the military process case by case knows it. In this article we have mentioned some issues. Congress is elaborating a group of laws that will permit the full implementation of constitutional precepts. All issues that we have pointed out as essential for a civilian-military dialogue during these transition years are being, or will be, included in this process. The problem is no longer the agenda. It is a question of political will and a measure of various groups' strength within and without military institutions. We may elaborate, once more, the best agenda, but if we do not make progress in what we have pointed out above with respect to the commander in chief, the democratic political class, and the judicial branch, the most we can expect is a number of sessions for the sole purpose of looking good on television.

6. Salaries and corruption. We do not deny that military salaries are too low. The bill presented by Deputy Euclides Acevedo in the second half of 1993 already proposed new salary scales, which must be studied in accordance with social priorities. We must also consider that National Police needs have not been satisfied for some time. We must stress, however, that better salaries on their own do not guarantee honesty. The fact that a general makes 4 million guaranies per month does not mean he will change if he is used to corrupt practices. We insist that a serious military reform will not be possible without a fight against impunity.

7. Favorable trend. The transition process has gone forward despite certain setbacks, like the unfortunate position of some generals on 18 December [Gen. Oviedo's attempt to transfer Gen. Carlos Ayala to the Chaco region], the bad joke of presenting a new military regulations draft despite the extraordinary progress made by the military commission, or the Kafkaesque court decision forcing General Eumelio Bernal to complete his 10-day disciplinary arrest. Progress has been made in the process of transforming an unprofessional autonomous Armed Forces into a smaller and institutionalized force. Only pressure and negotiations combined will speed up the process. Despite appearances,

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authoritarian groups are losing ground, but they will not accept their luck and will continue to attempt various things for show.

Peru

Stock Exchange Closes With 6.5 Percent Decline

PY1101012795 Buenos Aires TELAM in Spanish 1933 GMT 10 Jan 95

[FBIS Translated Text] Lima, 10 Jan (TELAM-SEM)—The local Stock Exchange closed today with a more than 6.5 percent fall, thus confirming the declining tendency experienced since the beginning of the year, despite the fact that Peru is regarded as one of the most reliable emerging markets.

According to the official report of the Lima Stock Exchange General Index (IGBVL) the stock exchange fell by 6.53 percent, compared to a 4.01 percent drop experienced the day before, and closed its daily transactions at 1,380.4.

The Lima Stock Exchange Selective Index (ISBVL), used for the 15 most important market shares, experienced a 7.84 percent fall, compared to a 5 percent drop yesterday, closing at 1,380.4.

According to financial sectors, the decline experienced by the Lima Stock Exchange that started on 3 January was caused by external and domestic factors: the Mexican crisis and the Peruvian electoral campaign.

The Stock Exchange has not experienced a draining of foreign capital, and the volume of foreign capital has not varied. The impact of the Mexican crisis began to be felt at the beginning of the year, when institutional investors (such as retirement funds) started to pull out of the market, although the effect of this will not be felt immediately, according to local analysts.

According to a Stock Exchange source, the sophisticated or "speculator" investors have not withdrawn, and have only stopped investing in the market. According to a Stock Exchange report, the Credit Bank, one of the most important in Peru, and the Telephone Company, run by the Spanish International Telephone Company, were those selling the largest packages of shares to foreign investors.

Lima Stock Exchange President Jose Luque Otero asserted that "there is no significant withdrawal of capital" as a result of the Mexican crisis and the registration of tickets for the congressional elections. He also denied that the crisis in the Mexican stock exchange has caused a fall in the Lima Stock Exchange: "There are no links between investments in the two countries."

Luque added: "The Mexican crisis will not happen in Peru. The fall experienced by the Lima Stock Exchange since 3 January is caused by the year-end season and because during the first months of the year the companies start storing cash to pay their taxes in March." According to today's issue of EXPRESO, foreign investors are allegedly concerned about the fact that Socialists and Communists are being included on the list of candidates for seats in Congress for the movement headed by the main presidential challenger, Javier Perez de Cuellar.

This argument was dismissed by Luque Otero, who said that "the investors are only concerned about who will be the next president of the Republic." Another effect of the Mexican crisis on the Peruvian economy could be the postponement of the issuance of bonds to be sold on the international market by enterprises ready to be privatized.

Peru accounts for approximately 5 percent of the stock exchange investments in the region, and after Argentina is mentioned by experts as one of the most interesting emerging markets of the region.

Parties Merge To Form Single Congressional List

PY1001231495 Lima EL COMERCIO in Spanish 22 Dec 94 p A5

[FBIS Translated Text] The Decentralist Popular Force [Fuerza Popular Descentralista] headed by former Senator Alberto Borea Odria yesterday joined the New Peru Movement headed by presidential candidate Sixtilio Dalmau.

According to the two leaders, the purpose of the merger is to prepare a single congressional list gathering together personalities with political experience.

This is the reason for the call made to Javier Valle Riestra, as well as to leaders of the 13 November Movement and other evangelist groups, to create a single alliance. No answer has yet been received.

The New Peru Movement is among the small groups listed in the polls on a single chart along with other movements that enjoy little support among the population.

Despite this situation, Borea and Dalmau have not lost their hope of winning the general elections.

Analyst on Drug Trafficking, Military Links

PY1001134695 Lima LA REPUBLICA Sunday Supplement in Spanish 25 Dec 94 pp 6-9

[Interview with Enrique Obando, military affairs analyst, by Mariela Balbi; place and date not given]

[FBIS Translated Text] [Balbi] Doctor Obando, it is said that General Nicolas de Bari Hermoza Rios has consolidated his power in the Army against Vladimiro Montesinos and President Fujimori. Do you believe this is so?

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[Obando] Apparently it is so for several reasons. There are comments within the Army that the week when Gen. Hermoza was missing, he was in fact visiting bases....

[Balbi] Was he not affected by a flu, then, as he said?

[Obando] I can neither confirm or deny that. What I can convey is what the people say about the Armed Forces. They say that Gen. Hermoza Rios was visiting military regions. From Colombia he landed in the north, and thus he was going to each region. He did so because he feared that the president would ask him to step down from his post. And in this manner he seemed to have been successful, because for a period of time the president did not refer to Hermoza, until he again mentioned him when he reconfirmed him in his post....

[Balbi] Fujimori had said of him that he is a successful general. Doesn't that mean that they get along well?

[Obando] Judging from what we have heard, they do not get along very well. I understand last year there was an attempt to offer him the Defense Ministry and name a new commander general. There have been discussions lately about replacing Hermoza, which has not happened. Hermoza has definitely consolidated his position. He has been visiting bases, consolidating the loyalty of these regions. And besides, the promotions process is based on political support. Regarding promotions, there seems to be a balance between the people of Montesinos and of Hermoza. There is reportedly a certain distance between Montesinos and Hermoza. But of course the official report denies all this.

[Balbi] Has Montesinos lost part of the influence he had on the Army commands?

[Obando] That is correct. His power has reportedly decreased.

[Balbi] And that of Fujimori as well, as a consequence?

[Obando] Especially within the Army. But it is appropriate to mention that the Army is not interested in meddling in the president's government. It will not impose conditions concerning foreign policy, agricultural policy, or privatizations. The Army high command does not want trials for human rights cases and does not want the drug trafficking issue to be discussed. These are their points of interest. Do not forget that Hermoza was placed in his post by Montesinos, but after the La Cantuta events, when the tanks were out on the streets, he realizes that he has power and that he is in command of the Armed Forces, and not Montesinos or Fujimori.

[Balbi] How did Hermoza manage to consolidate his prestige within the Army?

[Obando] Based on human rights violations. As chairman of the Armed Forces joint command, he has often said that he will not allow investigations of human rights violations. This has led the institution to be united around him. Most officers think that it is unjust to sentence an officer to imprisonment for killing a subversive. They think it is a war and that people die in a war. Although dissatisfaction prevails within the Army, the top command has somehow been united.

[Balbi] Why does Fujimori end up praising Hermoza? He could have well abstained from saying anything, limiting himself to confirming his position only....

[Obando] Officially because he is his man within the Armed Forces, and also to demonstrate a consistency with what he had said before. Besides, there is no discrepancy between Fujimori and Hermoza on important issues. Politically, Hermoza is a heavy burden for Fujimori, but beyond that, there are no political discrepancies between them. It is not that Hermoza has a position A and Fujimori a position B. It is clear that on the human rights issue Fujimori has a position similar to that of Hermoza. On the drug trafficking issue, a big question prevails. I do not believe that Fujimori thinks the Army is engaging in unseemly behavior in the drug trafficking field. I believe he considers that they are maneuvers of the opposition, and things like that. Had he thought that there are obscure things and not ordered an investigation, we would be facing a very serious situation.

[Balbi] At CADE [Annual Conference of Business Executives] Fujimori had said that there was no need to investigate reports on drug trafficking within the Army.

[Obando] That means that the president wants to maintain the support of the Armed Forces and he knows that for the Army, the drug trafficking issue is something that the military institution does not want to discuss....

[Balbi] Has drug trafficking gained influence within the Armed Forces?

[Obando] Within the Army, apparently yes. Reports and testimonies by officers with regard to military links are not something new. They have existed for years.

[Balbi] There are many persistent accusations (he is accused by many testimonies) against Gen. Bellido. Why is he protected?

[Obando] There are two interpretations. The first is that these accusations by doctrine are not taken into consideration. The doctrine says that these things must not be aired publicly because they are bad and can harm the institution. The institution must resolve the situation internally. This has been done for several years. If one individual was found guilty of links with drug trafficking, he was investigated internally and was invited to retire, to maintain the image. This has been happening since the Army began to operate in the Huallaga region. Now, the other possibility is that this may not be just a matter of doctrine, but that someone higher up is being protected. That is, if Bellido is investigated, there is the risk that he might talk and that he might begin pointing out not only officers lower than him in rank but those higher as well.

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[Balbi] Is the commander of the Army aware of what is happening with Gen. Bellido?

[Obando] Well, obviously yes. He is the chief commander. I think it would be inconceivable for him not to know. There is a misconception because the institution must be protected. But it should be just the other way around. When one begins an investigation there are clear indications that one is trying to get rid of the bad elements, and not the other way around.

[Balbi] Why does Hermoza act in this manner?

[Obando] As I said, there are two possibilities. One, that the Armed Forces' tradition be followed....

[Balbi] But, Bellido could have been sent into retirement right now. He has been denounced for more than a year....

[Obando] Yes. And there is another possibility. That there could be someone else, besides Bellido, involved in drug trafficking, and no one wants this to be known.

[Balbi] How do you interpret the latest communique issued by the Army press office which rules out the Army's possible links with drug trafficking and which warns that "any tendentious campaign seeking to stop the Army in its moralization policy will have the appropriate response"? It is a menace, isn't it?

[Obando] It is clearly a menace. It is absolutely impermissible. For me it is very clear that there is an intention to hide something. It is obvious that there is drug trafficking within the Army. How extended it is is not known. This type of reaction by the Army, instead of clarifying things, is generating more doubts, especially when we are used to the fact that the Army top command is not very accustomed to saying the truth. We have seen what had happened in La Cantuta. The top command knew perfectly well what had happened from the very beginning. Gen. Robles has reported this and they have denied it several times, knowing that what was being said was true. If we take this example as the behavior of the top command when facing a painful situation and apply it to the drug trafficking case, the least we can do is doubt the truthfulness of the things that are being said. What we must demand is absolute openness....

[Balbi] It is rather impossible, because last Sunday the Armed Forces Joint Command reported in a communique that operations are being carried out against drug trafficking in the provinces of Oxapampa, Puerto Inca, and Coronel Portillo, and that the area is restricted in terms of movement of people, vehicles, and airplanes. The communique adds that reports on the operations will be provided by the Joint Command information division. Is this a restricted issue?

[Obando] This is frankly worrisome. It means that they can do what they want in that zone and we ought to believe what their communiques say. But we know from experience that the Armed Forces' communiques do not always tell the truth. This cannot be allowed, and President Fujimori cannot endorse something of this nature. He might do it for political reasons....

[Balbi] I repeat that at CADE, Fujimori had said there is nothing to investigate....

[Obando] That is true. He might have some political reasons to say so, but I do not want to go to the extreme of thinking that we are in a narcocracy [narcocracia], as the DEA [Drug Enforcement Agency] chief in Colombia had said. I would rather not think that it is taking place in Peru....

[Balbi] And what about the communique I mentioned?

[Obando] It is from the Army and not from the Presidency. I want to think that there is a bad political handling of the matter and not a concealment of strange things from the Presidency of the Republic to all lower levels. I fear very much that the many things that are taking place within the Army are not discussed with the president. If Hermoza visited the regions to seek support, I doubt very much that the president would dare contradict him concerning this communique.

[Balbi] Is it better to form or make a pact with him?

[Obando] That is right, particularly because there are no differences of ideologies or of principles. Now, the communique you mentioned is very serious because it could be trying to hide something compromising. The correct thing would be for the civilian population and the press to be aware of the actions against drug trafficking carried out by the Army or the Armed Forces. Look, drug trafficking is harming one of the most important institutions as far as national defense is concerned. Besides, it discredits us internationally....

[Balbi] You used to think that only some isolated individuals were involved. Do you now feel that it is more institutional?

[Obando] I believe there is an organized group in which top-ranking officers participate. The testimonies point out Gen. Bellido and Gen. Rios Araico, both political-military commanders. Apparently things will not end there. Of course, I cannot prove it convincingly. But the clues are categorical. We do not know whether this group has links with the Army top command, but it is a cancer that must be eliminated from the Army....

[Balbi] Do you mean that if so desired, it can be eliminated?

[Obando] That is obvious. If there were a desire to eliminate it, an investigation should be carried out in the same manner in which a subversive is sentenced, within a few days. If there were an intention to investigate, it would be done. Why is it not done? For political reasons, because no one wants to shake up the group that supports President Fujimori, and thus they pretend not to see anything, knowing that it is something dirty? Or is it not

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investigated because there is an open link with drug trafficking? The two options are negative and alarming.

[Balbi] Does the United States, for instance, suspect the Army top command?

[Obando] As far as I can understand, apparently, when Alexander Watson visited Peru, one of the subjects discussed with President Fujimori was Gen. Hermoza. And he reportedly asked that Hermoza be removed from his post. That was the reason Gen. Hermoza disappeared for a week and visited the military regions, to make sure that he will not be removed. Hermoza was apparently the one who imposed his desires.

[Balbi] Is there pressure, then, from the U.S. Administration?

[Obando] I know that some time ago, the U.S. Administration tried to find out the truth about accusations concerning whether Vladimiro Montesinos was linked to drug trafficking. They could not find anything. I believe the United States is trying to find some data regarding officers' connections with drug trafficking. And if it does find some, I believe they will make them known. Let us recall that one of the subjects of the Summit of the Americas was corruption.

[Balbi] Can Fujimori object to some of the promotions?

[Obando] I do not think so. It would create an unnecessary friction, especially because the people who have been promoted, although they are loyal to Hermoza, are not anti-Fujimori. It would not be appropriate to divide his own field.

[Balbi] As we could not believe the top command concerning the antidrug fight, can we believe what is said about Shining Path in the Huallaga region....

[Obando] The truth is that Shining Path is reorganizing, as expected. It is also to be expected that Shining Path's actions will increase as the elections approach. Shining Path has apparently reorganized its commands internally and is reportedly acquiring—to compensate for the current lack of cadres—more sophisticated weapons than what it used to have. They are attacking with grenades, for instance, and word has it that they are manufacturing mortars and smuggling weapons through the Madre de Dios border passage. What happens is that Shining Path wants to show the results of its reorganization.

[Balbi] Will it not be defeated by next year, as Fujimori has said?

[Obando] It has already been defeated, but it will not stop existing and the attacks will continue. It is true that there are still some doubts as to whether the entire truth is being told concerning matters related to subversion.

Conam Created To Carry Out Environmental Policy

PY1001232095 Lima EL COMERCIO in Spanish 23 Dec 94 p A1

[FBIS Translated Text] The creation of the National Environmental Council [Consejo Nacional del Ambiente—Conam] has been labeled an important step toward strengthening the preservation of our environment and its great natural resources.

"I believe it is an important achievement, because common actions can be integrated to solve the various environmental problems," said engineer Maria Cuadros, director of the Environmental Department of the Fisheries Ministry.

She mentioned the case of Paracas Bay, which has contamination problems that from this point on should be resolved by Conam, with a view to preventing its destruction.

According to Law 26410, the National Constituent Congress promulgated the National Environmental Council Law, which created Conam as the organization in charge of national environmental policy. One of its tasks is to carry out the planning, promotion, coordination, and control of the country's natural resources.

It will also coordinate actions with the central, regional, and local governments on environmental issues in order to harmonize these with established policies.

Conam will establish the general guidelines for environmental quality, and will coordinate with the various sectors the establishment of permissible limits for the protection of the environment.

Uruguay

President-Elect Sanguinetti's New Year Address

PY1101002695 Montevideo LA MANANA in Spanish 2 Jan 95 p 3

["Text" of new year's speech by President-elect Julio Maria Sanguinetti, broadcast by Radio Montecarlo in Montevideo on 1 January]

[FBIS Translated Text] I believe all of Uruguay feels it has carried out an election that has marked many positive and important things. Now, during the pause at year's end, one must reflect and understand that an election is basically an action permitting the election of a government, and that the election campaign has ended.

The pause at year's end means that everything that the campaign debates and discussions meant now have to be left behind, as we now have a government and four and a half years to work in, and then another campaign will come along.

If for nothing better then than to look at that perspective, the debates will continue for some days, due to inertia,

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but it is evident that we must leave the debates behind and observe that the country is now definitely a member of Mercosur [Common Market of the South], which presupposes perspectives but also presupposes enormous commitments as well as the fact that we must now go out and compete.

Consequently, in order to compete we must organize ourselves, and this is going to mean reforms: political reforms in order to have more efficient institutions, educational reforms in order to have better prepared people, and economic reforms to improve competition. Reforms within the state, because it must become more efficient and less of a load for the community. Reforms in the pension systems, because in looking toward the future, and not the past, it is not a question of touching on the rights of the pensioner; looking toward the future, the systems undoubtedly require reforms, because demography makes for an increase in pensioners, not of active people, and this of course is not resisted by any system, neither in our Uruguay nor anywhere else.

This package of changes presupposes the need for understandings, for looking at the country with optimism, but with a great feeling of responsibility. All Uruguayans and the political system share in these responsibilities.

To imagine that we do not have to compete, or to dream that we can aspire for a better life without preparing ourselves for this competition of the times, is to commit an escapist error.

Looking toward the future with optimism—I do not look at it with pessimism—and happiness, I believe that we have a world with more techniques and science, where more things are offered to us. A world in which there are more opportunities for welfare for the people, who now live longer lives and much better than before.

We can acknowledge that more modest people have greater resources for comfort during their lives, during their periods of relaxation, and during their daily activities. If this is to be so, then we have to fight every day to improve our standard of living, and this presupposes that we have to produce more, and each of us must yield more than he is yielding now.

All of this means that the government has to organize all the challenges that will appear, and I say again that our perspects are good. But we must point out that it is not a task for a government or a president only, and we insist—and this is known by everyone, and is very clear—that the task of Congress is not an easy one, and is fragmented; a great division exists, and therefore we must make a joint effort, and I am sure that that is how it will be.

Uruguay must make a commitment to modernization, and the whole system must consequently act, and there should be understanding within Congress and with the Executive Branch in order to generate the changes we need.

Finance Minister: Uruguay Ready for Mercosur

PY1001231895 Montevideo LA MANANA in Spanish 2 Jan 95 p 5

[FBIS Translated Text] Economy and Finance Minister Ignacio de Posadas has indicated: "Uruguay is better prepared than Argentina for Mercosur [Common Market of the South] because we adjusted our policy to Mercosur while the Argentine Government—which I do not criticize, as it may not have had any other choice—adjusted its policy to its domestic convertibility plan, viewing this problem rather than the situation abroad."

De Posadas pointed out that in Uruguay "the sectors with the greatest problems, such as the industrial sector, had the opportunity to begin this adjustment process, and to a large extent have achieved it."

De Posadas noted: "There was not a single sector that was not given an opportunity. The government above all signaled: Look there, this is our future, be prepared, these are the mechanisms."

De Posadas said: "In this regard, from the president of the Republic onwards, there has been a kind of preaching throughout our country. I do not believe this preaching has existed in any of the other three countries."

De Posadas explained: "I believe this preparation never ends. It is therefore not catching our country by surprise. The mechanisms have been there for this adjustment to be implemented."

In response to those who say Mercosur will introduce our country's labor segments to a fairly unstable and insecure future, Minister de Posadas points out: "The so-called changing or threatening—or whatever you want to call it—force in the labor sector does not initially come from Mercosur, but from other parts of the world."

Minister de Posadas emphasized: "This force is substantially coming from Southeast Asia, and among the developed nations from the United States."

De Posadas noted: "The developed world and the countries outside the developed world, like Uruguay, have been advancing over the years, except for the United States, in developing labor and social security legislation. I believe it is not worthwhile now to discuss whether this legislation was excessive or extremely rigid, or if it sought an earthly paradise that cannot be achieved in practice. Men develop these things at certain moments. Now there actually are a number of countries—very clearly in Europe—that have labor structures that, aside from discussing whether they are good, fair, or poor, are unsustainable." "They are obviously unsustainable," he stressed, "and the result can be gauged by the extremely high unemployment rate, even in countries whose economies seem to have taken an upturn. Europe is coming out of a recession, but it seems unable to overcome the problem of unemployment. The average unemployment rate there stands at 11 or 12 percent, and in some countries it is as high as 20 percent."

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"There is a very clear signal that is pointing to the fact that the economy is in better shape, but unemployment is not," he pointed out.

According to the finance minister, "what happens is the structure, the labor and social security laws, do not conform with the reality that competition from Southeast Asia is very strong and dynamic."

"Moreover, if we analyze the case of the United States, and see that it was the first country to lift itself up from a recession—it did so a long time before Europe—and is not afflicted by Europe's high unemployment rates, one wonders what the difference is between the United States and the rest of the industrial world. Well, the fundamental difference is the United States has tremendous labor flexibility and mobility," he added.

De Posadas went on to say that "countries, including Uruguay, must make difficult decisions. There are things that are unsustainable, and we must have flexible legislation because otherwise the bogeyman will swallow us up."

"This is a decision that the country must make and that does not stem from Mercosur. It is a decision that sooner or later must be made, because other countries are experiencing the same thing and will have to adapt to this new reality," he stated.

In concluding, de Posadas said: "There is an additional consideration, which is that Brazilian labor is cheaper than that of its Mercosur partners, and that adds an element of pressure. Still, if one considers this aspect globally one sees that some sectors that are in the throes of difficult problems, like the textile industry, have as their major competitors Southeast Asian countries, and that is a fact."

Venezuela

Government To Maintain Current Exchange Rate

PA1101022395 Caracas ECONOMIA HOY in Spanish 10 Jan 95 p 3

[Report by Ernesto Villegas Poljak]

[FBIS Translated Text] Finance Minister Julio Sosa yesterday announced at Miraflores Palace that Venezuela will not follow Mexico's steps and devalue its currency, adding that the government will maintain the current exchange rate of 170 bolivares to the dollar. He stressed to journalists the government's decision to cut projected spending in the 1995 national budget by 10 percent as a means to tackle the pernicious problem of the fiscal deficit.

Sosa, who will issue new official announcements on tax matters on 13 January, rejected economist Pedro Palma's proposal to adjust the exchange rate. The high-ranking official said the current exchange rate "is perfectly logical at this time," adding that "our nontraditional exports prove this."

Instead of possibly facing a trauma triggered by a devaluation, the government prefers to grab the budget axe and cut public spending by approximately 10 percent in an attempt to balance its accounts. This is the goal of the measures that will be announced on 13 January by the Finance Ministry, whose head yesterday denied that these measures constitute Chapter 2 of the Sosa Program.

"There is indeed such a thing as the Second Sosa Program; it is the continuation of the Economic Recovery and Stabilization Program (PERE)," the government official stressed. After Minister Sosa gave this explanation, he insisted that the main objective is to reach a fiscal balance.

The government hopes this can be achieved through the announced budget cut, which the Finance Ministry has estimated at 250 billion bolivares. In addition, the ministry reported that certain tax breaks on existing taxes, such as the Isir [expansion unknown], will be eliminated.

There will be a "thorough revision" when the time comes to make a decision on the budget cut. Nevertheless, this decision will not adversely affect salaries. Furthermore, Sosa ruled out the possibility of downsizing the public administration, while adding that vacant posts will be only filled in cases of extreme emergency.

Another way to cut expenditures is through the Concessions Law, which allows certain public projects to be financed with private capital, "thereby preventing the state from incurring any direct expenses."

As Sosa finished making his remarks, he was asked about rumors of his pending resignation as finance minister. He replied by brandishing an eloquent smile: "No one knows for sure but the president himself...." For those journalists gathered at Miraflores Palace, this might perhaps mean that his shiny head will not roll in the next cabinet reshuffle.

As for the situation of the Latinoamericano Progreso Group, Minister Sosa said international experts will audit the institution, pointing out that "it seems the new Board of Directors discovered information that was excluded from the latest reports prepared by the Bank Superintendency."

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